

**Business
in California**

February 1998 \$3.95

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California

Independent analysis of politics and government

JOURNAL

The Armageddon Initiative

**Wilson and labor
go to war**



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Pack 3 Felons in a 6x8 Cell, then Watch the Lid Blow

California prisons were designed to safely house 71,000 inmates, but now hold more than twice that number — 155,000.

In five years, our prison population will swell to 214,000 inmates, according to the Department of Corrections. And to federal authorities, that's the magic number for intervention.

The public may not care if inmates are stacked like firewood, but federal courts do. In Florida and other states, federal courts have forced the release of thousands of inmates to reduce overcrowding. Not surprisingly, violent crime went up — crimes that could have been prevented if convicted felons were kept in prison.

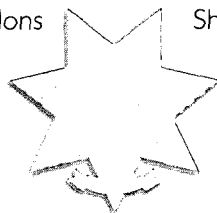
Unless needed prison space is provided in California, thousands of hard-core felons

could be set free by the courts — a public safety disaster of monstrous proportions. It's time the Legislature acted.

Privatization isn't the answer. A recent GAO report, independent studies and recent national news reports show private prisons can be more costly to operate and expose taxpayers to far greater liability than public prisons. And escapes, beatings and riots make them far more dangerous for officers, inmates and the public.

We've put together a plan to construct and operate needed state prisons without bankrupting California — so violent and habitual felons are kept off the streets at a price taxpayers can afford.

For a free copy of our plan, call Sharon Levesque at 916-372-6060.



California Correctional Peace Officers Association

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Business Climate

"California is back," proclaims Governor Pete Wilson, and the economic numbers bear him out. But how will the gathering storm clouds over Asia affect that recovery?

By Claudia Buck

Business organizations

California's business community has some powerful guardian angels watching over their interests in the state Capitol.

by Kathleen Les

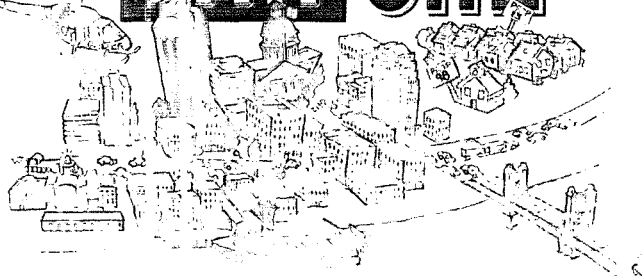
Wilson vs. labor

Governor Wilson has embraced an initiative which would curtail labor's ability to raise money for political campaigns. The initiative is shaping up as the political war to end all wars.

By Steve Scott



SIM CAL



Consensus Project

Groups representing business, labor and government have begun trying to untie the knots binding the state's fiscal system. Can this ad-hoc working group succeed where more formal attempts have failed?

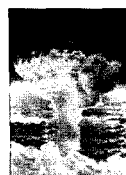
By Noel Brinkerhoff

San Jose

California's fourth largest city still exists in the political shadow of San Francisco. But this year's race for mayor of San Jose could help the city finally get respect commensurate with its size.

By Terry Christensen

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Computer generated
by Dagmar Thompson

Upfront umbrage

Big talk. Governor Pete Wilson has made a career out of refashioning initiatives in his own political image, usually by co-opting an existing proposal. When it comes time for the gov to write his own, however, the hyperbole meters are switched off. A Wilson-sponsored ballot measure dealing with education begins with verbiage that sounds like something out of the Chinese Propoganda Ministry. "Carrying forward on his long-standing call for fundamental reform of our entire education system, Governor Wilson has again stepped to the fore" blah, blah, blah. Remember, this is not a press release accompanying the initiative — this is the initiative itself. One half expects to read something like "all hail our grand and glorious leader" or some other such effusery. Of course, Wilson's critics argue the real wordplay comes in the use of the word "reform" in connec-

tion with the proposal, since it seems at least as geared toward sticking it to the education establishment as it is to creating "fundamental reform."

On the payroll. It seems the parade of GOP legislative Iscariots into San Francisco City Hall continues with the announcement that former Assembly Speaker Brian Setencich (R-Fresno) has been hired by Mayor Willie Brown. Setencich, who succeeded Republican Assembly Speaker Doris Allen (R-Cypress) to become the first freshman to serve as speaker, was signed on to serve as Brown's liaison to the 911 emergency service. After all, who better to hone in on the deficiencies of an emergency service than someone whose political 911 calls went unanswered in his own party. Of course, Setencich's first act may have been to push for a salary increase. After all, he's only mak-

ing about \$65,000 and he was speaker. Former Assemblyman Paul Horcher (R-Hacienda Heights), whose 1995 vote for Brown ignited that year's partisan speaker wars, is getting nearly \$100,000 as a member of Brown's staff. Horcher has served in a string of different capacities at City Hall since Da Mayor took him on. Sure, Horcher has seniority over Setencich, having been in Brown's pocket long before Setencich arrived in Sacramento. Still, being speaker ought to count for something! Heck, you can't even get buried in San Francisco on \$65K. a year.

Mistaken identity. Looks like there's a new power player in the big-money world of independent political expenditures. A recent edition of the *Long Beach Press-Telegram* included a blistering full-page attack on the anti-crime record of area Assemblywoman

Full speed ahead.

They're laying sandbags and digging foxholes in lobbyist offices all over Sacramento, for the onslaught is upon them. Proposition 208 — the campaign finance reform initiative approved in 1996 — is, for now, off the books. Federal District Court Judge Lawrence Karlton ruled the contribution limits contained within the initiative were too low, restricting the free-speech rights of those who participate in campaigns. Karlton's ruling, which has been appealed by the initiative's supporters, rang through the Capital like a rifle shot, as some legislators were on the phones to potential donors literally within minutes of hearing the news. Lieutenant Governor Gray Davis, running for governor, says he didn't immediately get on the phone, waiting decorously until the afternoon of the decision. One insider reports of how former Assemblyman Richard Katz (D-Panorama City), who is run-

ning for state Senate, got on the phone with a funding prospect the morning after the decision. The response at the other end of the line: "What took you so long?" One lobbyist reports receiving "a couple dozen" fund-raising invitations in the week following the ruling. Of course, along with the blizzard of fund-raising appeals came attempts to use the decision to promote their own campaign reform agenda. Our favorite: The effort by some to resuscitate the twice-tossed Proposition 73, a 1988

attempt at campaign reform. One of the measure's co-sponsors, state Senator Quentin Kopp (I-San Francisco), said reviving Proposition 73 would help avoid the kinds of corruption that prompted a late 1980s FBI sting at the Capitol. A little history lesson that Kopp would like to forget, though we haven't: The first person snared in that sting, state Senator Joseph Montoya (D-Whittier) was one of the three co-sponsors of Proposition 73.



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Editor

A.G. Block

Managing Editor

Steve Scott

Associate Editors

Sigric B. then, Claudia Buck,
Cynthia Craft

Assistant Editors

Noel Brinkerhoff, Kathleen Les,
Melanie Smith

Contributing Editors

Lou Cannon, Lance Izumi,
Suey Bebitch Jeffe,
Susan Rasky, Marc Sandalow

Editorial Assistant

Sean J. Campbell

Circulation

Tim Foster

Art Director

Dagmar Thompson

Art Staff

Suzanne Raney

Advertising Director

Mary Foy
(916) 422-1377

Advertising Coordinator

Erica Pahl
(916) 444-2840

Founding Publisher

Thomas R. Hoeber

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Sally Havice (D-Cerritos). Accompanied by the usual scary photo, the ad was full of ominous warnings, calling Havice the "spearhead of the gun-ban movement" Typical National Rifle Association material right? Well, the initials fit, but according to the disclaimer at the bottom, this particular broadside was launched by the "National Rifle Association." After checking the databases of our parent company, State Net, we found that neither Havice, nor any other legislator, had voted against the rights of citizens to keep and bear rifles. So it must be a typo. But what a typo! Everyone — including this publication — makes mistakes. But who messes up their own name?

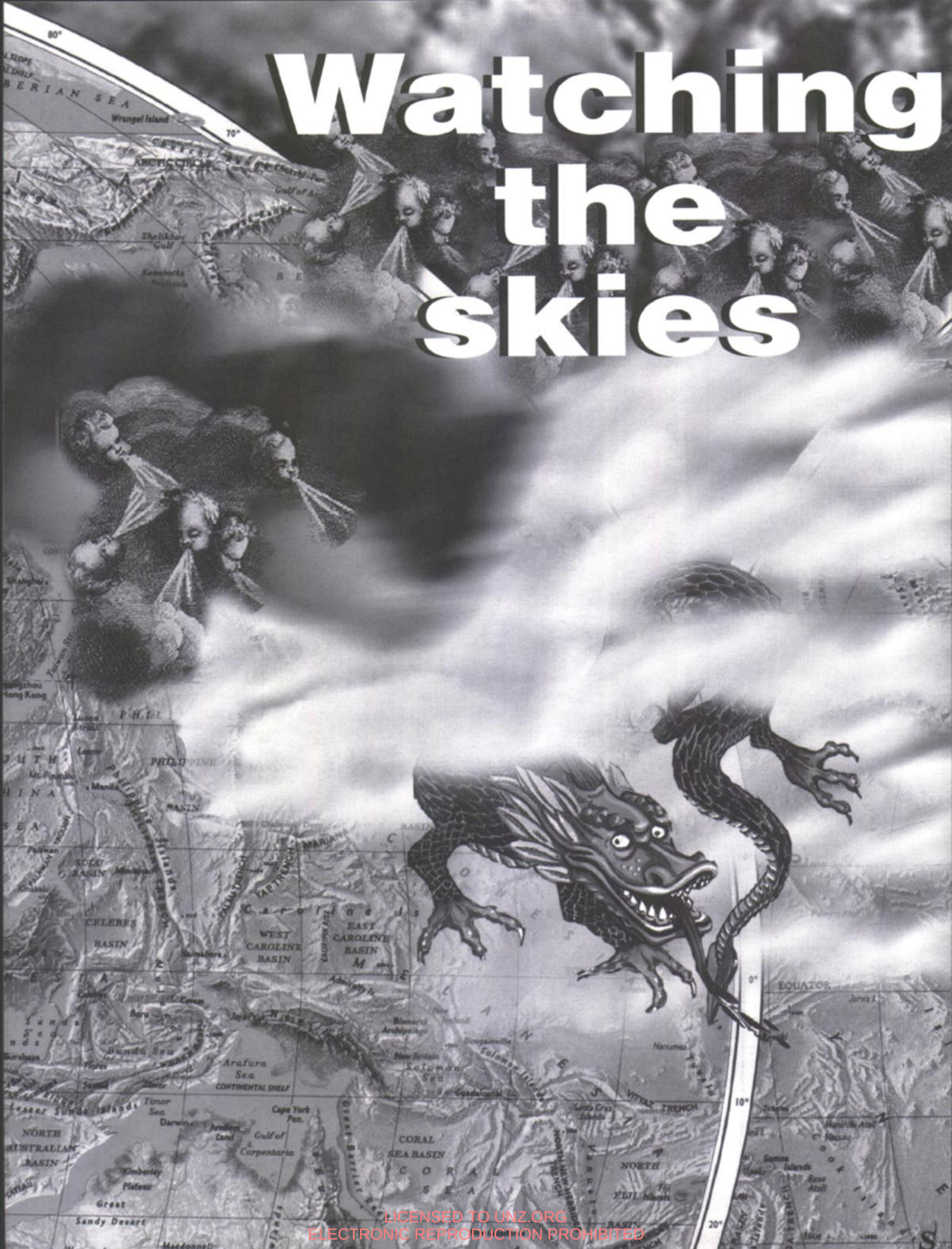
One in, one out. The darling of the "conventional wisdom" became the first casualty of the 1998 U.S. Senate race last month. San Diego Mayor Susan Golding — a pro-choice moderate who seemed to match up well against incumbent Barbara Boxer — decided she couldn't be mayor and run for Senate at the same time. Translation: She wasn't raising enough money. The best line about Golding's ill-fated effort came from Claremont-McKenna College government professor John Pitney. Said Pitney, "People have seen Jimmy Hoffa and Elvis more than they've seen Susan Golding." At the time, it looked like the field would be left to state Treasurer Matt Fong and car alarm magnate Darrell Issa — a troubling prospect for Republicans looking to take out Boxer. But wait! A savior lay on the horizon — North Coast Representative Frank Riggs. Why would Riggs want to go through the effort of a statewide campaign? Maybe it's because he was facing the prospect of being unseated from his congressional position for a second time in the 1990s. At any rate, one observer summed up the new field the day Riggs announced: "It was a weak field yesterday, and it's a weak field today."

Never mind. Last month, this column took note of the disagreement that had arisen between GOP Insurance Commissioner Charles Quackenbush and Attorney General Dan Lungren over a campaign donation received by Lungren. At the time the item went to the printer, the story was accurate, but that was before Quackenbush got a painful lesson in the power of the GOP's "11th Commandment" (Thou Shalt Not Criticize A Fellow Republican). One week after filing a court complaint against Lungren for "a

clear and undeniable breach" of legal ethics, Quackenbush said it was all just a horrible misunderstanding. Turns out, said Quackenbush in a letter to Lungren, that he was "inaccurate" when he'd criticized Lungren's solicitation of \$10,000 in campaign contributions from Golden Eagle Insurance Company while still engaged in litigation against the company. "I personally regret any statements that may have impugned your integrity," Quackenbush groveled in his letter. "It is my hope that you will accept this as my apology." Lungren spokesman Rob Stutzman followed up the letter with documents indicating Lungren's involvement at the time the contribution was made was indeed routine. Stutzman pointed to some 900 cases being handled by the office as an indication of how difficult for the campaign to parse out what is major and what is minor. Of course, the A.G. *could* just decide not to raise money from anyone involved in those 900 cases. Nah. Oh, and wouldn't you love to have been a fly on the wall when Lungren and Quackenbush talked for the first time after the initial story broke. The letter says all that needs to be said about who's lead dog in the GOP these days.

Heroics. Conservative Republican Assemblyman Bernie Richter (R-Chico) assails government so regularly one sometimes wonders why he even bothered to run for office. But there's one person who's glad he decided to put himself out. Richter was traveling north on State Route 99 with his brother when a car he was following suddenly crashed into a guardrail and caught fire. Richter got out of his car, grabbed a fire extinguisher from his trunk and put out the fire. Then he and another motorist dragged 25-year-old Sean Sullivan to safety, covering him with a blanket. As of mid-January, Sullivan was still in intensive care. If he does make it, though, the young man will have Richter's quick thinking to thank in large part. 🏠

Watching the skies



**cloudy
or
clear?**

by Claudia Buck

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**cloudy
or
clear?**

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**cloudy
or
clear?**

by Claudia Buck

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Move

economic f
climate in 1

According to a number of the state's leading economists and financial weather watchers, California is in for clear skies this year. Most statewide economic experts believe California in 1998 will enjoy low unemployment, continued job growth — particularly in home and commercial office construction — although at a slightly slower pace than a year ago.

Although the economic uncertainty in Asia is sitting like a dark cloud offshore, it is not shaping up as some ominous cousin of El Niño. "It's a cloud in the sense that many people are nervous. They're not sure how this will play out," said Gordon Palmer, chairman of the California Chamber of

Commerce's Economic Advisory Council. Nevertheless, Palmer and other economic forecasters believe Asia's economic woes will prove to be only a minor blip on the state's financial radar screen.

"It will slow down some of our growth, but it won't be drastic," Palmer predicted.

Yet most economic experts are keeping a cautious eye on the Asian horizon. In mid-December, *Newsweek* columnist Robert J. Samuelson warned that we may be too complacent about Asia's ability to rise above its financial problems. "Americans underappreciate the magnitude of Asia's setbacks," he said, citing the dramatic drop in Asian stock markets, depressed employment and consumer confidence, and the pullout of much foreign investment.

While conceding that predicting an outcome is "all guesswork," Samuelson said he believes "Asia's slump could go deeper and last longer than most economists now assume."

Nationally, mainstream economists believe Asia's turmoil is a much needed "brake-tapping" on a speeding U.S. economy. However, a growing minority of economists "are beginning to worry that the rosy forecasts rely too heavily on old equations that miss new realities of the global marketplace," wrote economist Jacob M. Schlesinger, in the *Wall Street Journal*.

In California, most believe the Asian slump will result in a slight dampening, not a downpour, on the state's fiscal fortunes.

For computer giant Hewlett-Packard, the state's second-largest manufacturer, the uncertainties in Asian economies are one indication that the last couple of years of ever-fattening sales may be due for a diet. During a recent meeting in Hong Kong of HP's Asia Pacific managers, the mood was cautious but not panicked.

"Everyone's optimistic about Asia long term, but it's going to be a tough 1998," said Brad Whitworth, HP's international public affairs manager. "We're really going to have to work harder to earn our money."

Because many Asian currencies are considerably weaker, governments won't have the buying power they once enjoyed. As a result, there likely will be curtailed government spending for computer equipment, infrastructure (such as new roads, airports and office buildings) and other capital expenditures. For California companies like HP, that means stiffer competition for less business.

"There'll be less [Asian dollars] to go around, so competition will be that much more fierce," said Whitworth.

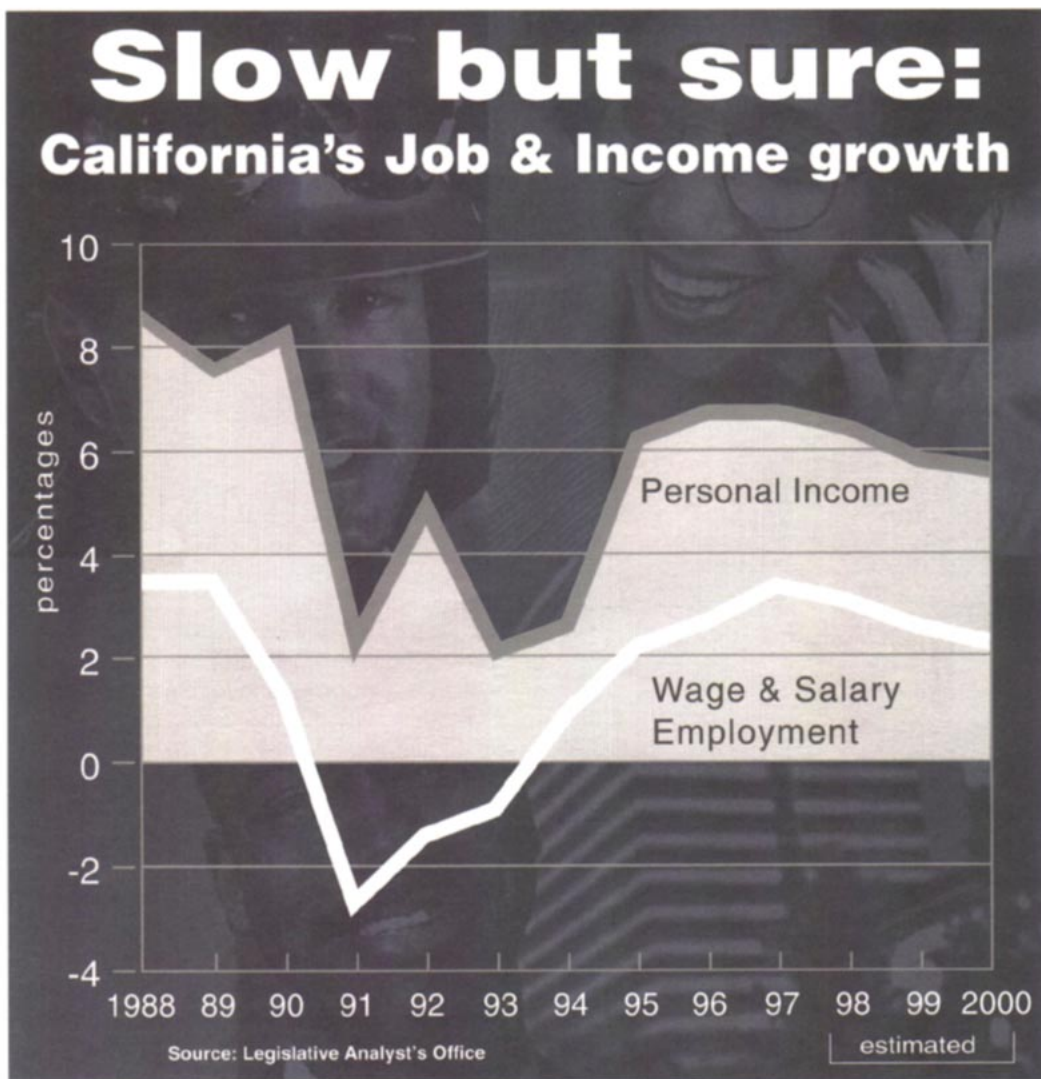
California's almond industry, which ships 80 million pounds of almonds annually to Pacific Rim countries and to India — roughly 20 percent of its total exports — also expects

to see a slight slowdown in sales. "The situation over there gives us grounds for concern because it's a target area for us," said Ian Erridge, Blue Diamond's vice president of sales and marketing. Like the Japanese, he noted, South Koreans view almonds as a "glamorous" food that gives added value to edibles such as chocolate.

But even so, Erridge said, because the almond market is worldwide, a slowdown in one area won't be cataclysmic. Using South Korea as an example, Erridge said the economic turmoil there in recent months is not likely to cause a major ripple in Blue Diamond's overall international market. South Korea currently buys 7 million pounds of almonds — up to \$20 million worth — annually from California.

"It's a concern, and we'll follow it, but even if it [the Korean almond market] all went away — and it won't — you're still looking at only 8 percent of our total [Pacific Rim] exports," said Erridge.

With Asia accounting



for 51 percent of California's total exports, some industries, such as agriculture and transportation, are likely to feel the pinch of fewer Asian dollars. By late 1997, according to state Department of Finance statistics, sales to Japan, the state's top export customer, had dropped 9 percent and sales to South Korea, the state's fourth-largest customer, had slumped 15 percent.

This winter, growers in California's Imperial Valley, one of the only sources of winter vegetables in North America, may find that South Koreans have lost their usual appetite for broccoli and lettuce, according to Ted Gibson, chief economist for the state Department of Finance.

"A 747 full of lettuce to Seoul may take off at one price and land at another," said Gibson. "Instead of 750 won [the Korean currency] for a head of lettuce, it's now 1,500 won. [When that happens], you're going to sell a lot less."

California's tourist industry also may take a hit, according to Jack Kyser, chief economist with the Economic Development Corporation of Los Angeles County. Calling Asian visitors to California "the cream among tourists" because of their willingness to spend freely, Kyser said many may be too nervous about their financial futures and consequently will forgo a California luxury vacation this year. Also hurt may be California architectural and engineering firms who likely will see their Asian clients pulling back from plans for theme parks, airports, office buildings and other major civic improvements.

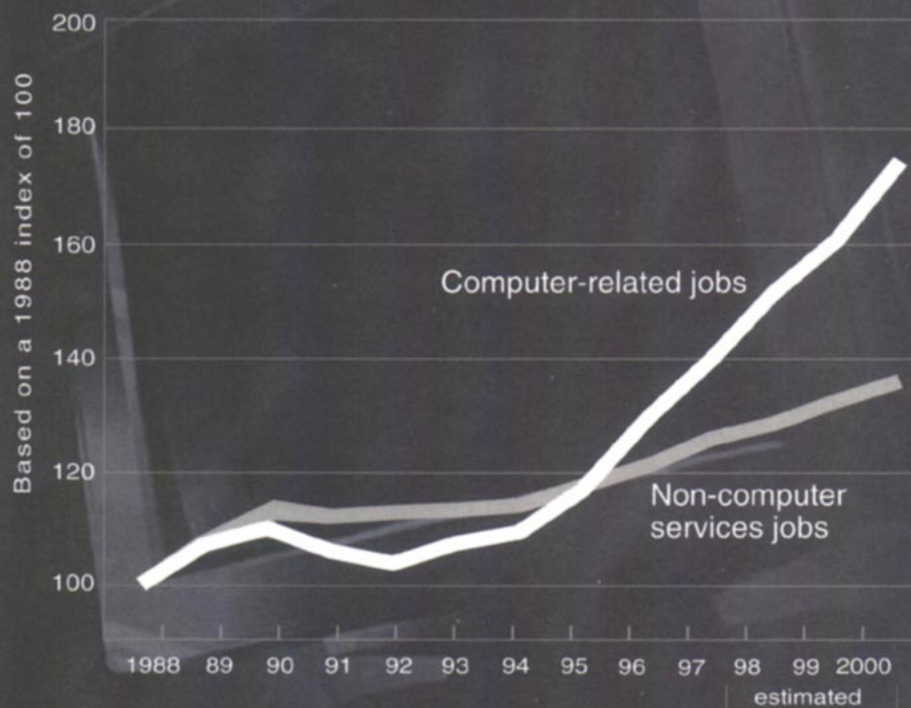
But there are bright sides to Asia's financial floundering. "We'll see a slackening in our exports but a pickup in imports," said Palmer. For countries unable to spend because of their crippled currency against a stronger U.S. dollar, Palmer predicted those such as South Korea will begin "aggressively marketing" their products to sell to Americans, including such big-ticket items as cars and TVs. The result may be some bargains for U.S. consumers.

Companies that pay an Asian work force for manufacturing products may see labor costs decrease as the U.S. dollar becomes stronger. Toys, for instance, may become cheaper because the wages paid to assemble them in Asian countries will be lower against the dollar. Kyser predicts that stay-at-home Asians giving up elaborate travel plans in California may have a bigger appetite for U.S.-made videos and movies, thus helping the state's booming video and film industry.

At least one observer feels there may be other side

Economic Expansion Broadens

High Tech & Services fill the gap left by defense cuts



Source: Legislative Analyst's Office

effects that can't be easily measured, because they involve people rather than commodities. Joel Kotkin, senior fellow at the Pepperdine Institute for Public Policy, said many bright, young Asian professionals fresh out of UCLA, University of California at Berkeley or Cal Tech may choose to stay in California rather than return to their troubled countries. "What's the impact of five to 10,000 highly skilled Asians [staying] in San Jose, Los Angeles or Orange County? It may be greater than the loss of [export] sales for two to three years," said Kotkin.

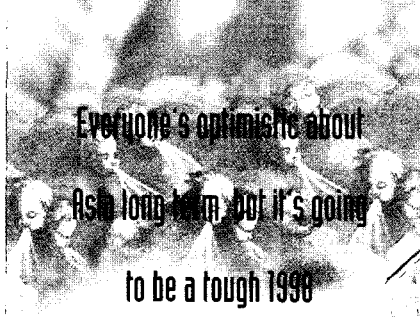
Howard L. Roth, Bank of America's chief economist, said in his annual business outlook for 1998 that the risk to California from troubled Asian economies "is small if the problem remains largely a Southeast Asian problem, [but] bigger if the Japanese economy is dragged down. The expectation is that the Japanese economy will not be seriously troubled by Asia's woes and that the California economy will continue to shine."

Regardless of what happens in Asia, it's clear that California's economy has largely recovered from the recent recession. After taking heavy hits in the early 1990s when the state's aerospace and defense industries suffered a crushing loss of jobs and dollars due to federal base closures around the state, the California economy has rebounded.

"[Nineteen ninety-seven was] the first year that the recovery, which had been fairly narrow, really spread to all areas of the state," said Brad Williams, senior economist in the state Legislative Analyst's Office.

Unemployment dropped to 5.8 percent in November 1997, compared with 6.9 percent the previous year. The four-year exodus of Californians moving out of state to find jobs during the early 1990s has halted. Housing starts, always an indicator of a healthy economy, jumped 30 percent, from an annual rate of 103,000 permits for new construction in October 1996 to 133,000 units for the same month in 1997. That housing boom is expected to boost ancillary businesses, such as manufacturers of furniture and appliances. Additionally, payments of withholding taxes to the state have risen, a sign of growth in wages and in employment. Indeed, almost every large county in California — Riverside, Sacramento, San Diego, Orange and Ventura — has recovered the jobs lost during the recession. Los Angeles County, hit hardest by the recession, hasn't recovered all of the jobs it lost but is experiencing a steady increase in job growth.

That job pool is a rich mix: a burgeoning women's



Everyone's optimistic about
Asia long term, but it's going
to be a tough 1998

— Brad Whitworth

Hewlett-Packard

apparel manufacturing industry in Southern California; new orders for commercial aircraft from both U.S. and foreign customers that have buoyed the state's aerospace industry; a thriving Southern California movie industry offering a number of high-wage jobs; professional services, such as marketing, management consulting and engineering; wholesale trade, including import/export firms; and biotech, computer software and electronics industries that show no signs of slowing down.

"A lot of high-paying, blue-collar jobs were lost permanently when aerospace closed down," said Williams, "but the silver lining is that the economy now is more diversified. We're less

reliant on any single industry than in the past and hopefully more resilient."

"It's a remarkable turnaround because the jobs that were recovered were not in places where we lost them, but in other sectors of the economy," said Bill Hauck, president of

Business' Big Guns

California Chamber of Commerce

The 11,000-member California Chamber of Commerce is the state's most visible business organization, boasting heavyweights in a range of industries from agriculture and manufacturing to electronics, technology and high finance. Though the Chamber emphasizes its representation of large and small businesses, lobbying foes say Chamber positions usually tilt toward big business interests.

The Chamber's lobbying presence in Sacramento is substantial and successful, particularly in the areas of regulatory and tax policy. President Allan Zaremborg, the organization's top lobbyist for the past six years, took over as president this past year after the retirement of long time president Kirk West, continuing the organization's attack on what it calls "job killer" bills. The range of measures falling under this category is substantial, but of 57 bills identified as "job killers" by the Chamber last year, none was approved, though several are expected to resurface in 1998.

In addition to fending off what it considers bad legislation, the Chamber is also active in promoting its own



Allan Zaremborg, President

agenda. Among its biggest victories were changes to weaken the Endangered Species Act and the \$1 billion tax cut put through in the closing hours of the last session. This year expect to see the Chamber's fleet of lobbyists pushing to enact a new proportionate liability standard for service businesses, fending off HMO reforms that seemingly micromanage

the industry and opposing bills restricting privatization of government services. Its lobbying expenses for 1996 were the 10th largest of any organization in California.

Unlike other "top-down" organizations, the Chamber has become skilled at "grass-roots" politicking, enabling the business community to speak with one voice. Zaremborg's staff holds weekly conference calls with 40 of the most politically active local chambers, to brief them on issues that will live or die from the lobbying punch triggered by the statewide ripple of calls they generate to legislator's offices.

Politically, the Chamber is using its grass-roots expe-



CALIFORNIA CHAMBER of COMMERCE

the California Business Roundtable. "As a result, we are less dependent on things that are outside our control [such as federal budgets]. They [federal government] cut us from that dependency and we found we can live without it."

Since 1993, California has created more than one million new jobs, a doubling of all the jobs lost at the start of the decade, according to the Western Blue Chip Economic Forecast, a so-called "consensus" forecast that averages together the economic predictions from a variety of institutions, including Bank of America, Pacific Gas & Electric, UCLA's Business Forecasting Project and the state Legislative Analyst's Office.

According to the Blue Chip report, the state will experience nearly a 12.2 percent growth in housing permits in 1998 and a 2.5 percent increase in job growth, a slight decline from 1997.

Although many Western states are expected to see job growth lag slightly behind that of 1997, mirroring an ex-

**California and Texas combined
should create one-half million new
jobs in 1998, accounting for one out
of every five new jobs nationally.**

**— Western Blue Chip
Economic Forecast**

pected slowdown nationwide, "the West will still be the growth engine for the country," according to the Blue Chip report. "California and Texas combined should create one-half million new jobs in 1998, accounting for one out of every five new jobs nationally."

That bullish optimism is reflected in a random sampling of business leaders and voters throughout the state who were queried in September in a telephone survey conducted by the California Business Roundtable and the California Chamber of Commerce. The Eighth Annual Business Climate Survey was conducted among 400 California business leaders — 250 from small businesses with fewer than 100 employees and 150 from large businesses

with more than 100 employees — and 600 self-identified registered voters.

Both groups were overwhelmingly positive that California's economy and business conditions are in good

experience to instruct local chambers on how to, in the words of an organizational brief, "play politics like teachers, trial lawyers, unions, and environmental groups." The objective is to make the organization less reliant on large corporate donors to extend its influence in local legislative contests. Still, the Chamber expects to continue its emphasis on independent expenditure committees and ballot campaigns where donors are less restricted.

California Manufacturers Association

The California Manufacturers Association dates to 1918 when a group of agricultural interests including the California Cotton Mills Company of Oakland, The Shredded Wheat Company and the Ghirardelli Company sought to wield more influence with the state Legislature at a time when agriculture was on the rise in California. Today, despite an increasingly service-based economy, the CMA remains one of the state's most potent business organizations, and its membership is a veritable "Who's who" of Fortune 500 companies. The 50-member board of directors alone includes such business notables as Intel Corporation, Toyota Manufacturing, Anheuser-Busch, Rockwell International and the ever-present oil interests represented by Chevron and ARCO — often the loudest and most influential voice in the orga-

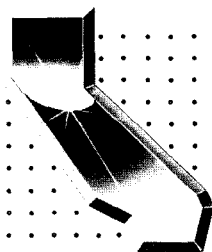
nization, say critics.

Two years ago CMA was the leader in guiding the state toward deregulation of the electrical industry, fought for "fix-it ticket" citations providing immunity from fines and penalties for minor pollution violations and helped generate a five percent bank and corporation tax cut. But, like the Chamber of Commerce, it more often finds itself blocking hostile legislation. With the governor as its biggest ally, CMA mobilized its lobbying forces to oppose more than 80 bills — the largest number in the last 10 years.

With lobbying expenditures hovering around \$1.7 million — the 13th largest in the state in 1996 — it's not surprising that nearly all the bills opposed by CMA were either defeated, vetoed or held over. One source said a CMA oppose position is the same as a Republican Caucus advisory, giving GOP members their marching orders. Any bills that establish new "fees, fines, taxes or bureaucracy" relating to business receive the wrath of CMA and its fellow associations. Legislation affecting workers' compensation, occupational safety standards and workers'



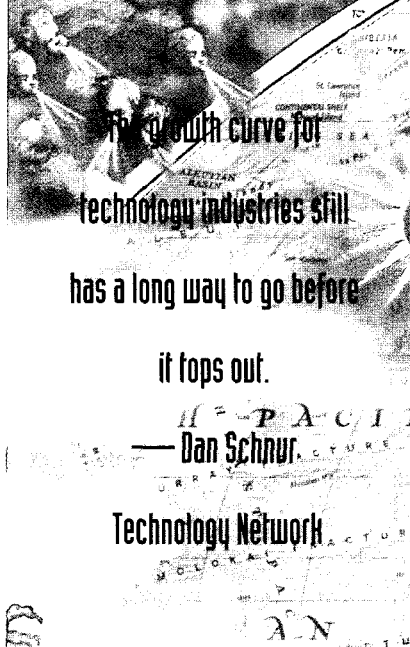
Jack Stewart, President



**California
Manufacturers
Association**

shape — and will become even better in the next two years. According to the survey, nearly half [46 percent] of business leaders plan to expand their work force in 1998; 60 percent believe business conditions in California are better than two years ago, while nearly that same number [59 percent] believe business conditions for their companies will be even better two years hence, one of the highest levels of confidence since 1991.

Within the high-tech industry, which gave Northern California a jump-start out of the recession ahead of the state's southern half, the confidence index is high. "No question about it. The growth curve for technology industries still has a long way to go before it tops out," said Dan Schnur, political director for Technology Network, a public policy and political organization of high-tech companies, located primarily in the Silicon Valley. Schnur said there is so much venture capital available that many Silicon Valley executives are discussing the need to end federal subsidies for start-up



computer companies.

As for the threat from Asia, Schnur said that high-tech industries are so well-diversified geographically that they aren't expected to be hurt by the slowdown across the Pacific.

The greater threat to California's high-tech industries, he said, is that its jobs will be lured away to other states. Noting that U.S. Senator Trent Lott recently spoke to Silicon Valley executives about fledgling computer companies starting up in his home state of Mississippi.

"There's no geographic imperative for these companies to be located in close physical proximity to each other," said Schnur. "If I'm a software developer, I can sell my product just as easily from Idaho as Palo Alto."

Schnur, a former aide to Governor Pete Wilson, said the state needs to go further in making the state more hospitable to business. Indeed, Kyser noted that in a recent issue of Orange County's *Business Journal*, the cities of Spokane, Washington, and

rights and benefits also find stiff scrutiny among respective CMA steering committees.

A veteran state legislator of 23 years, Bill Campbell, assumed the top post as president of CMA in 1990. Changes in workers' compensation and an investment tax credit for business were among his notable achievements. Campbell announced his plans for retirement last year and Jack Stewart became the new chief officer beginning this year.

California Business Roundtable

Like the Chamber of Commerce and the California Manufacturers Association, the California Business Roundtable also draws its energy from corporate CEO's chosen from among the largest companies headquartered in the state — businesses like Blue Cross, Charles Schwab Corporation, Safeway and the Irvine Company. Unlike the other two, however, membership is limited to the 100 largest businesses in California. Functioning as a quasi-think tank, the Business Roundtable has developed policy initiatives in the areas of education, infrastructure, welfare, government and tort reform that ultimately feed into the Chamber's positions and lobbying efforts.

Its goal is the same as the other business groups — an improved California economy — but the Roundtable's solutions tend to be wider-ranging, focusing not just on regulatory and tax issues related to business, but on more systemic changes that benefit the economy

generally. Current Roundtable chief Bill Hauck, a vice president of *California Journal's* parent company State Net, was also the head of the now-defunct Constitution Revision Commission, and he's brought many of his reform concepts with him. The Roundtable's activism in the education arena lends an image of being less motivated by its own self interest than the Chamber and CMA. Critics say this is a kinder and gentler facade for a group that is merely the Chamber's alter ego.

With not much more than a skeleton staff, the Business Roundtable can draw on membership that overlaps with the Chamber and with little notice pull together funding in the six figures to conduct polling, public relations and lobbying for huge campaigns vital to the business community. When the Roundtable circles its wagons, it can wage aggressive campaigns that compromise opposition before it starts. Drawing on the grass-roots organizing pioneered by many of its foes among the environmental and labor organizations, the Roundtable can coalesce employers and even employees to wage



Bill Hauck, President

formal and informal lobbying that brings effective results for its causes.



CALIFORNIA BUSINESS ROUNDTABLE

Coeur d'Alene, Idaho, ran an eight-page ad urging California businesses to relocate.

"It's a good indication that the hunger is still out there to lure California [businesses] away," he said. "A lot of people still think of California as the happy hunting ground."

Kyser said government and business leaders should take note. "They [businesses] want rules that are easy to understand, easy to comply with and are not viewed as punitive."

Politically, 1998 appears to be a good year for business, contends Schnur. With Wilson pushing a pro-business agenda and term limits putting the Democratic leadership up for grabs in both houses of the Legislature, Schnur said he believes chances are good that legislation helpful to business will be successful.

In general, he said legislators on both sides of the political aisle have become more understanding of business,

**We're talking about moderate
growth in historic terms but
compared to recent years,**

it's good stuff.

—Brad Williams,

Legislative Analysis Office

particularly the high-tech industry in recent years. "They might not know how to put together a semi-conductor," said Schnur, "but they do know the importance of these industries to the state and its economic base. That wasn't true even five years ago."

As for statewide political races, Schnur noted that at least two of the Democratic contenders for the governor's race — Dianne Feinstein and Al Checchi — have "strong, pro-business credentials." With Republican Dan Lungren added to the mix, Schnur said it's likely "in statewide races, you're going to see general agreement on business and job creation issues."

Regardless of the legislative outcomes, most economists are betting on clear skies for California. "We think '98 is going to be a good year," said Williams,

who predicted job growth to be slightly above 3 percent this year. "We're talking about moderate growth in historic terms but compared to recent years, it's good stuff." 🏠

Technology Network

Until recently considered politically quiet, the computer industry awakened to legislative reality two years ago when it dabbled in tort-related ballot fights in both the March and November elections. A group headed by Intuit co-founder Tom Prox and venture capitalist John Doerr sparked the sleeping Silicon Valley giant to action, raising a record-breaking \$40 million to defeat Proposition 211, a trial lawyer-backed initiative that would have made California an easier place to file and win shareholder lawsuits.

Last year, Doerr founded Technology Network, comprised so far of some 75 CEOs and directors from among the biggest names in the computer business — Hewlett Packard, Adobe Systems, Microsoft, Oracle and Tandem — as well as public relations and financial businesses that feed off the high-tech industry. Doerr co-chairs the group with Jim Barksdale, Netscape's CEO.

Still in its infancy, the group aims to wield the strength of its expected \$2 million annual budget in ways that give them a higher profile in state campaign races and the legislative arena. Staffed with political directors from each party — Wade Randlett, a former political director with the California Democratic Leadership Council, and Dan Schnur, former communications director with Republican Governor Pete Wilson — this group of industry powerhouses seeks to till the fields of both parties.

TechNet has established two initial priorities. At the top of its list is fending off another threat like Proposition 211 by lobbying for a

national securities litigation standard. TechNet will also join the business chorus for higher educational standards and began by backing Wilson's Digital High School bill to put more computers in classrooms.

Politically, the group expects to be at the center of a high-tech network that collectively bears in to protect industry interests. While TechNet itself won't be a contributor, at least initially, it is busy providing opportunities for member businesses to meet-and-greet and make campaign contributions as necessary. Since March of last year, its events have helped raise funds for President Bill Clinton and U.S. Senator Barbara Boxer, and its issue briefings have brought members face-to-face with Vice-President Al Gore, Representative Vic Fazio (D-Woodland) and Assemblymembers Elaine Alquist (D-Santa Clara) and Kerry Mazzoni (D-San Rafael), among others. So far its GOP thrust has been noticeably lacking at least in this regard.



John Doerr, President

"A lot of high-tech companies don't have political staff," offered Sean Garrett with Alexander Communications, the PR firm currently staffing the organization, "and they use TechNet as a resource." 🏠

— Kathy Les



**Technology
Network**

Mutually assu

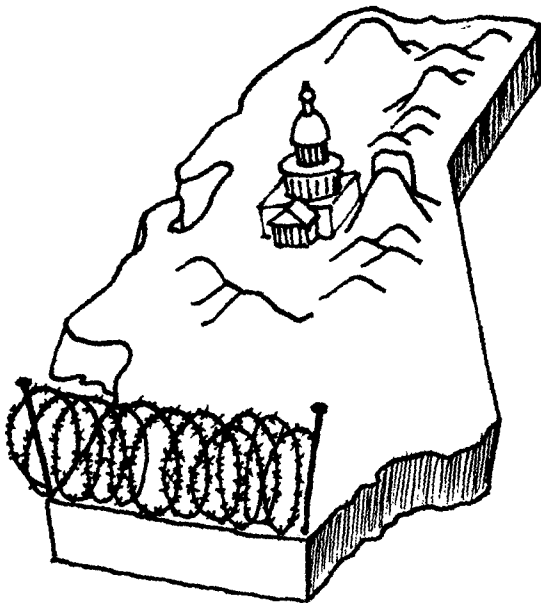


Illustration by Christopher

CALIFORNIA JOURNAL

ed destruction



With the governor's help, Republicans are headed toward a final showdown with organized labor over a controversial ballot initiative. Will Pete Wilson become the Dr. Strangelove of California politics?

by Steve Scott

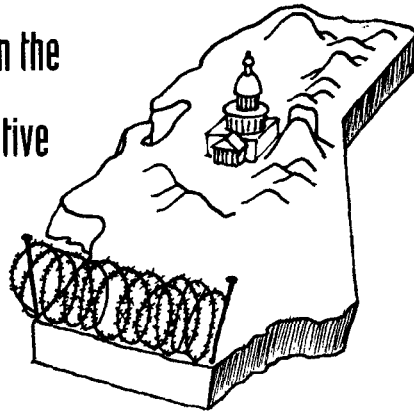
Talk to anyone in the initiative business in California about what works and what doesn't work, and a common thread emerges. Simplicity. The easier it is to grasp the basic concept of a ballot measure, the better its chances of succeeding. Proposals laden with agendas, gimmicks and special-interest trickery are fertile ground in which opponents can sow seeds of doubt in the electorate. A doubting electorate is an electorate that will "just say no." Want proof? Look at 1996. Millions spent fruitlessly on tort reform while the shortest, simplest, and most far-reaching change — the open primary — sidles effortlessly into law.

This year, the June ballot will feature a measure that, on the surface, appears to be simplicity itself. A measure that, in

Kristopher '98



To Democrats, and those in the labor movement, the initiative is the political equivalent of total war.



the view of its proponents, is nothing more than basic campaign reform: Any employee who gives over part of his or her pay to finance political activity needs to be asked, and should have the option to "just say no." A no-brainer, right?

Not exactly.

In fact, the grenade launched by Orange County conservative activists James Righeimer, Mark Bucher and Frank Ury has sent shock waves felt from Sacramento to Washington, D.C. National conservative activists such as Indiana voucher advocate J. Patrick Rooney and Grover Norquist, head of Americans for Tax Reform, have contributed time and money to the campaign. The U.S. Senate's majority leader, Mississippi Republican Trent Lott, made the concept the centerpiece of his party's national campaign reform agenda.

The proposal truly arrived when Governor Pete Wilson, angling toward another try for the presidency, chose this initiative, rather than the more high-profile bilingual education measure, as the issue upon which he would place his political imprimatur. At last autumn's state GOP convention, which was crawling with national political correspondents, Wilson announced that he had accepted the role as state chairman of the initiative campaign.

"This is a basic issue of equity," said Wilson, in an interview with *California Journal*.

Righeimer, Bucher and Ury insist their intent was straightforward truth-in-advertising. "The real issue is whether anyone should ever have money taken out of their pay for politics," said Bucher. But whatever the motives of the measure's authors, the involvement of Wilson and other conservative Republicans has less to do with its intended beneficiaries — rank-and-file workers — and far more to do with its intended target: organized labor. For it is not only wage set-asides that will be subject to the annual employee check-off but also political activities funded by union dues. While employees are seldom docked by their employers for political activity, portions of union dues are regularly set aside for contributions to political campaigns and causes.

To Democrats, and those in the labor movement, the initiative is the political equivalent of total war — a violation of the informal "Marquis of Queensbury Rules" in which Republicans get money from business, Democrats get it from labor, and everybody slugs it out for control. Opponents and supporters agree the single most visible effect of the measure

would be a dramatic reduction in the amount of money in most unions' political action committees. Legislation enacting a similar requirement won approval in Washington state in 1992. By the next election cycle, political spending by the state's largest teachers' union was off between 70 and 80 percent.

"If you are a believer in democracy, what this does is remove our ability to participate in that process," said Dan Terry, president of the California Professional Firefighters. "It's a pretty scary thing. Today, it might be unions. Tomorrow, it may be something else."

Since most contributions from these PACs flow to Democrats, opponents argue the measure could blow a hole in what they see as an important counterbalance to the GOP's natural advantage among corporate contributors. The prospect of such a partisan imbalance has given rise to the rather apocalyptic rhetoric that sur-

rounds the union check-off initiative. A trio of counter-initiatives has been submitted in response to the measure. All three take aim at big business, either through limits on its political activity or repeal of the various business-friendly tax breaks that currently exist in law. Even if the counter-initiatives don't pan out, labor unions have vowed to "spend what it takes" to defeat the check-off initiative itself.

"There's a delicate balance on fund raising," said initiative consultant Fred Kimball. "When you upset that apple cart, you're taking away the Democrats' major source of funding. You have 'nuclear winter.'"

Stripped of their high-sounding platitudes, the central issue on both sides of the dispute is power. Republicans blame the influence organized labor holds with Democrats for the defeat of many of their legislative initiatives, most notably school vouchers. Much of the credit for the defeat of the 1993 voucher initiative, Proposition 174, was given to the \$18 million opposition campaign financed largely by a special tithe exacted from dues-paying members of the California Teachers Association. Nationally, a massive union-led campaign in 1996 on behalf of Democratic congressional candidates came within a few seats of upending the congressional majority won by Republicans only two years earlier. The campaign's hard partisan edge helped convince national figures such as Rooney and Lott to sign on to the effort.

"To a large extent, the labor movement brought this on themselves by involving themselves in such a heavily partisan manner," said GOP political analyst Dan Schnur, a onetime political aide to Wilson. "If you've got a situation where between 30 and 40 percent of union members are Republicans and 90 to 95 percent of the money goes to Democrats, you're setting yourselves up for this."

For Wilson, the grudge with labor runs much deeper: Few governors of either party have had a more tense relationship with labor unions, especially those representing public employees. In 1992, it was the California Teachers Association, with an unprecedented advertising barrage that helped brand Wilson as the chief villain in that year's extended budget stalemate. A retaliatory welfare-cum-budget reform initiative promoted by Wilson that fall was also defeated on the strength of heavy opposition from labor. In

1994, labor's investment in the campaign against the immigration initiative — Proposition 187 — failed to stop the measure's passage, but succeeded in helping to cast Wilson as an enemy of all immigrants, legal and illegal. And the California State Employees Association, which represents a large chunk of state workers, has challenged Wilson in court on everything from overtime pay to state pension fund contributions.

"He's been on the receiving end of an awful lot of grief from the unions over the past seven years," said Schnur, who was Wilson's press secretary during his first term. "As Pete Wilson looks back on seven years as governor, he sees a lot of necessary policy reform that the unions have fought him on every step of the way."

From the perspective of recent history, Wilson's activism in the ballot fight looks a lot like payback. The CTA has not one but two different political funds into which members' dues are deposited — one for candidates and the other for initiatives. Both would be significantly reduced if the initiative were approved. "As Wilson has said, these things do have a specific partisan purpose, and a lot of it does have to do with us," said John Hein, the chief legislative lobbyist for the CTA. Other analysts on both sides of the issue also see a link to the governor's self-proclaimed interest in taking another shot at the presidency in 2000. "I believe he thinks it will be good presidential politics," said Terry. "I believe that he thinks it will help him with the right wing of his party."

Wilson denies retribution was a factor in his decision to get behind the effort. "I don't have much time for revenge," said Wilson. "It's an expensive avocation." But Wilson does concede his initial conflict with CTA over the particulars of his class-size reduction program helped solidify his view that labor's political agenda was not in synch with its rank-and-file.

"I think a great many teachers ... were shocked and outraged when they found out their union was opposing class-size reduction ... after spending a great deal of the members' money extolling the virtues of class-size reduction," Wilson said.

Whether his motives are the product of conscience or calculation, though, the governor's stance has clearly put him at odds with the groups that have formed his institutional base of support. The California Correctional Peace Officers Association, a public-employees union that has been reliably pro-Wilson since 1990, has split with the governor on the issue. "Several people, including myself, tried to talk him out of this," said CCPOA President Don Novey. "He's a stubborn guy." McNally-Temple and Associates, a top GOP political consulting firm that advises CCPOA, has also taken a pass on participating in the campaign. Consultant Ray McNally, who heads up the firm, says the initiative is risky politics for his party, regardless of how noble it may view the objective.

"We worry this could be portrayed as just one more wedge issue, and one more assault on working families," said McNally. "While this issue isn't likely to inflame many Republican voters, we believe it has the very real possibility of motivating a lot of union voters ... and that passion could spill over into November."

Ironically, the entity sitting on the hottest seat is the one that could stand to benefit the most from the measure's



As Pete Wilson looks back on seven years as governor, he sees a lot of necessary policy reform that the unions have fought him on every step of the way.

—Dan Schnur

Former Wilson aide

passage — business. Corporate PACs and individual giving already overwhelm labor's financial effort. Even with nearly every union dollar going to Democrats, the GOP still out-raised Democrats nationally by roughly two-to-one, largely on the strength of business contributions. Reduce the impact of labor's politics, so the argument goes, and the advantage enjoyed by business becomes that much greater. Yet, mainstream business organizations like the state Chamber of Commerce and the California Manufacturers Association have been noticeably absent, refusing to contribute or even to take a position.

"This isn't a fight business wants to get involved in," said McNally. "A lot of these businesses have bigger issues on their agendas and most of them are running for cover."

California Manufacturers Association president Bill Campbell doesn't deny his more pragmatic members would just as soon this all went away. "I would say those companies that are unionized are probably going to want to sit on the sidelines," said Campbell. "They won't want to get involved in a [political] fight with their unions." For those companies not unionized, the rationale for keeping their heads down is the desire to avoid yet another expensive and exhausting initiative fight — the "nuclear winter."

In the spring of 1996, a segment of the business community — Silicon Valley — took on the state's trial bar with a trio of initiatives aimed at changing the tort system. The effort was defeated, but not before a counter-initiative was slotted for the fall ballot, forcing the entire business community to gear up a hugely expensive opposition campaign. This year, labor and its allies have not one, but three counter-initiatives in various stages of preparation. While one merely proposes a tit-for-tat restriction on corporate PAC contributions, the other two go to the heart of the special tax status businesses enjoy in California. All three have the same focus-tested populism of the check-off initiative itself.

As of mid-January, none of the three measures had submitted signatures, although backers of the corporate PAC measure say they already have enough to qualify for the ballot. They were placed on hold in part as a response to a clear signal sent by business that submission of the measures for November could energize them to become involved in the June initiative fight. Throughout the latter part of 1997,

This is a national outside attempt to distract
and, quite frankly, directly impact the
November election cycle.

— Gale Kaufman

Democratic Political Consultant



negotiations were taking place between representatives of business and labor in an effort to draft some kind of comprehensive truce.

"I think we're making some headway [toward] a 'laissez-faire' resolution — you leave us alone and we'll leave you alone," said Campbell.

Key to any such agreement, of course, is the ability of either side to stick to the bargain in the face of overwhelming opposing pressures. For labor, opting out of a November fight means giving up a key strategic bargaining chip that it could be tempted to exhume if the campaign starts going badly. For the mainstream business community, agreeing to a deal with labor means saying "no" to Wilson, something it has had trouble doing in the past. "None [of Wilson's business supporters] would walk in and say they're unhappy because they're all afraid of him," said one consultant who asked not to be identified.

For his part, Wilson is not making it easy for his longtime allies to take a walk. He's not surprised to find that unionized businesses and those in retail would want to sit on the sidelines out of fear of retribution. However, the governor says he believes supporting the initiative is in the best interest of any business that participates in the political process.

"In virtually every election of the last 20, [business] has been plagued with ballot measures that have caused them to spend substantial amounts of money to defeat," said Wilson. "Those measures have, for the most part, been funded by employee unions."

A measure of his tenacity on the issue was visible when Wilson lent his name and seal to a blistering petition mailer. The envelope had the same sort of veneer of officialdom seen in mailings sent out by mortgage companies and magazine subscription houses. Opponents of the initiative went to court and to the Fair Political Practices Commission claiming the mailing was unfair and deceptive, but the challenge was rejected. While he was not involved in the details of the mailing, Wilson said he drafted the sharply worded letter — "the letter is mine" — and he stands behind

the mailing.

"They're whining ... in court in hopes that will be [less expensive] than opposing it politically," said Wilson.

Even if the support of business doesn't come through as hoped, Wilson and his allies enter the coming fight with a decided advantage among the group that matters most: registered voters. Most public and private polling shows overwhelming support for the concept and strong backing for the initiative's particulars. Initiative co-author Mark Bucher says voters are responding to the core issue that drove he and his partners to get involved in the first place. "This initiative is not about limiting any particular group's power," Bucher insists. "It's about fairness."

By most accounts, the key to the initiative's eventual success will be in "keeping it simple." Not surprisingly, opponents are already countering the intuitive strength of the concept by pointing up the interlocking agendas behind it. They cite the out-of-state contributors with their ties to advocates of school vouchers. "The people who are behind this are the same people who want to privatize public education," said CTA's Heim. Democratic political experts say the measure's implementation clause, which requires action by the traditionally slow-moving Fair Political Practices Commission, would make it impossible for labor to participate at all in the November election, even with a slimmed-down wallet.

"It starts off with a neat little title and summary, then you start peeling away and realize what it may or may not be about," said Gale Kaufman, the consultant who is directing the opposition campaign. "There's no need to read real far. This is a national outside attempt to distract and, quite frankly, directly impact the November election cycle."

Rooney, who has been linked to past school voucher efforts around the country, maintains there is no link between this campaign and the push for vouchers. "The timing is wrong" for a voucher initiative, he maintained, suggesting it would not be until the year 2000 before such an initiative might appear in California. Schnur says that even with the CTA's power reduced, vouchers would not be an easy victory in the state, given the failure of past voucher campaigns.

"Just because this initiative passes doesn't mean you're going to see vouchers and flat taxes on the 1999 ballot," said Schnur.

Nor, say some opponents, does it mean the political process will grind to a halt. "One side is going to lose an arm, and the other side will lose a leg," said Novey. "Somehow, politics will hobble along." Although labor is publicly adamant that it cannot live with the restrictions imposed by the check-off initiative, there are murmurs of various "fallback" scenarios, aimed at getting around the initiative's provisions. Getting around campaign reform is, after all, a cottage industry in California.

"The savvy unions will have contingency plans in case this passes," said McNally. "The real winner over time is the one that always has a contingency plan."

Translation: If you're poised at the brink of political armageddon, it makes sense to have a bomb shelter ready, in case voters decide to "drop the big one." 🏠

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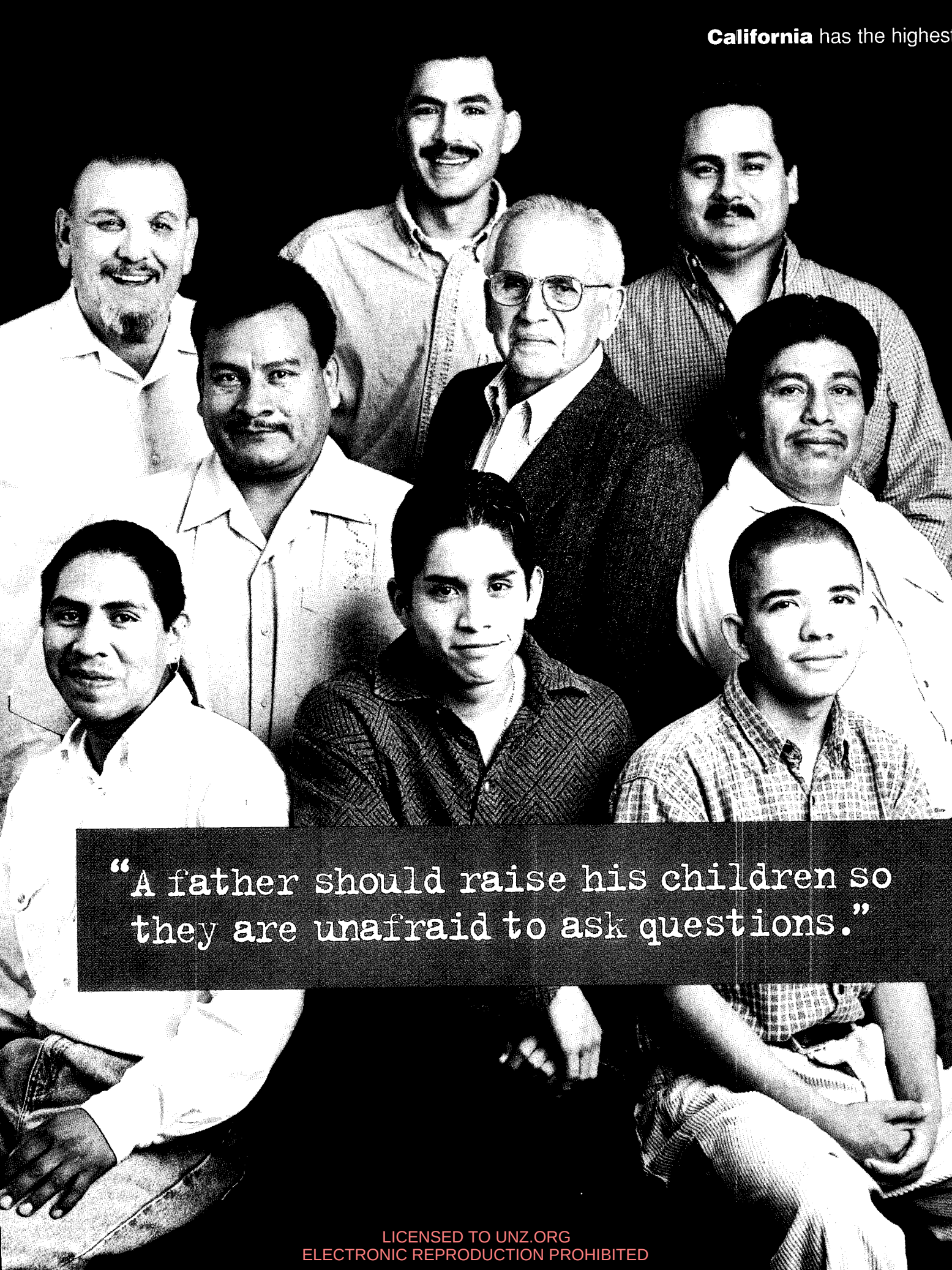
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“A father should raise his children so they are unafraid to ask questions.”

teen pregnancy rate in the industrialized world. This series asks **why**...and what we should do.

When it comes to sharing questions and answers about sexuality, teens and their parents must draw on the affection and trust they have built up over many years.

We asked a group of California Latino fathers, uncles, grandfathers and teens to tell us how men can prepare for this important role.

"Trust is the important thing. Parents must have confidence in their children."

This group of men told us how they grew up in a conflict of cultures and about the effort they have invested in keeping close family ties. Many recalled how older brothers, cousins and uncles advised them as they came of age. Others remembered the loneliness of finding things out about sex for themselves.

"In my parents' generation, it was disrespectful to talk directly about sex," says one man. "But as the consequences have changed, we must change with them and everyone must be more open."

"My father taught me responsibility and respect toward women by example. And he told me if I acted without thinking, it would always come back and bite me."

From a discussion among (l-r, back row) **Armando Acosta, Hector Sanchez-Flores, Juan Muñiz**, (middle) **Ernesto Rojas, David G. Diaz, Leonardo Mendoza**, (front) **Filomón B. Lopez, Marcos Tello, Mario Mendizabal**

Every parent is surprised to discover that children know more about sex at an earlier age than they thought. "If I use the same type of information my parents had," says a young father, "it isn't going to be enough for my kids."

Equally important, says a grandfather, "we must be realists and speak honestly of our own experiences, otherwise they'll never talk to us. Information not shared is wasted."

While most schools now offer an outline



FACT: Latina teens have the highest teen birth rate in California.

of the mechanics of sex and reproduction, notes a father, a parent gives the facts their meaning.

"Generally, talking about the physical aspect is the easy part. But when we move to the emotional level it gets complicated."

"We must help them understand that sex is an act of love that links their grandparents to their parents to them," another suggests.

"It may be emotional, it may be hard to talk about, but all of it is connected to love and family."

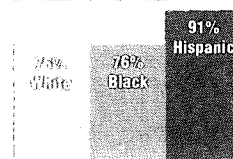
"Talk with your children when they go through body and emotional changes. Let them know it's a natural thing."

The men agreed that putting sexuality in its full context is one of the most important gifts a father can give his children. And doing so with honesty and respect shows them how to form a loving relationship.

"We shouldn't be afraid," one father says. "Teens will have sex. If you talk, then it will be easier to influence them in a good way."

"All the things we do now," concludes another, "we do so we won't lose our children."

Favor birth control information in schools



FACT: Nationally, Latinos show the strongest support for birth control education.

This is one of many views of teen pregnancy in California. To consider the full range, send for our **free** reprint series by completing this coupon.

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State of the State

commentary

by Lance Izumi

Union-only government contracts

Editor's note: With this issue, California Journal adds another voice to our regular stable of columnists. Lance Izumi joins Sherry Bebitch Jeffe, Susan Rasky and Marc Sandalow as a commentator on public life and policy in California. Izumi, chief speechwriter for former Governor George Deukmejian and advisor to Attorney General Dan Lungren, is a senior fellow in California studies at the Pacific Research Institute for Public Policy in San Francisco.

It is sadly ironic that in an age when competition has become the economic watchword for everyone from the former communist states of Eastern Europe to the still reigning communist regimes of Asia, we in California are seeing government slam the door shut on free and open competition in certain markets. For example, over the past several years an increasing number of local governments in our state have adopted "project labor agreements," or PLAs, that funnel government construction contracts exclusively to firms which use only union labor. These PLAs, not only prevent non-union workers from competing against their unionized counterparts, they ensure that the benefits of such competition never accrue to taxpayers who are being asked to finance billions of dollars in public construction projects.

The most significant recent PLAs in California include: a \$2 billion renovation of San Francisco's airport; a \$2 billion reservoir system for the Metropolitan Water District of Southern California; a \$450 million water system for the Contra Costa Water District; and a \$200 million light-rail project for Sacramento Regional Transit. Also, it has been widely reported that contracts for \$2 billion worth of school-facilities projects in Los Angeles (financed by a 1997 voter-approved bond measure) will likely be subject to a partial or full PLA.

Why the trend to PLAs? The principal reason is the still powerful political clout of the building trade unions. Although union membership in the construction labor force has fallen dramatically since World War II (18.5 percent nationally in 1996 versus 87.1 percent in 1947), the highly organized nature of union pressure often more than makes up for the loss of members, at least in the eyes of political decision-makers.

Take, for example, the aforementioned Sacramento light-rail project. In its draft report, Sacramento Regional Transit (SRT) staff specifically recommended against adoption of a PLA. That staff found that a PLA would likely restrict

competitive bidding, put up a barrier to minority and female participation (according to a construction industry survey, approximately 80 percent of minority and female contractors in greater Sacramento are non-union) and endanger the hiring of local workers. Yet, the SRT board, in the face of aggressive union politicking, unanimously overrode the staff recommendation and endorsed a PLA for the \$200 million project.

Of course, the unions argue that PLAs assure quality workmanship, increase safety, and reduce costs. However, in a recently published study of PLAs, Professor Herbert Northrup of the Wharton School of Business at the University of Pennsylvania and labor attorney Linda Alario demolish each of these myths. Northrup and Alario note that many of the country's largest construction firms are non-union and that their track records amply demonstrate that they "can and do successfully perform and manage large projects." Regarding

safety, Northrup and Alario found that, "the only nationwide statistical study of 5,564 construction fatalities investigated by OSHA [1985-93] ... found that fatality rates for non-union contractors' employees were significantly lower than those of unionized contractors for each of the nine years studied."

Finally, despite union claims that PLAs reduce costs by restricting strikes and limiting overtime, Northrup and Alario found that in reality PLAs increase costs because, overall, non-union contractors are comparatively more efficient than union contractors. Non-union firms can deploy workers more flexibly, train workers more rationally, and construct market-determined wage and benefit packages. Even in prevailing-wage states like California, where wages on

government contracts are set by law, the deployment and training flexibility of non-union firms still gives them a comparative efficiency advantage. Northrup and Alario note that PLAs lock in union staffing rules, personnel regulations, and pay requirements, and therefore inevitably result in higher costs paid by the taxpayer.

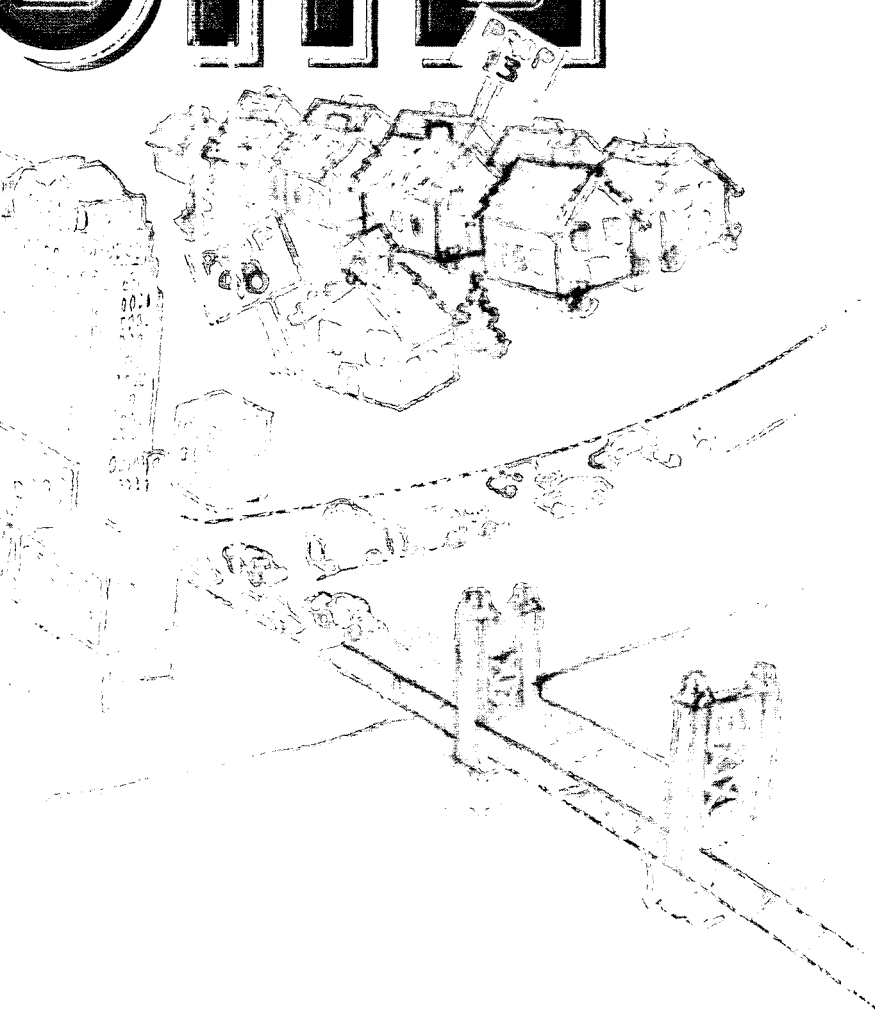
The bottom line is that the basic rules of Economics 101 still apply: Free and open competition keeps quality up, keeps costs down and, in the case of public contracts, ensures that the interests of the taxpaying public, not monopolistic union bosses, are given priority. The increasing disappearance of such competition in California's government contract market and the rise of PLAs is therefore cause for grave concern. 🏠

"the highly organized nature of union pressure often more than makes up for the loss of members"



Illustration by Perry Babasin

CAL



by Noel Brinkerhoff

The California Governance Consensus Project is trying its hand at reinventing government. Can a new public policy model be fashioned from the ground up?

If California's legislative and executive branches of government were to be handed a report card on their performance over the last three decades, the "teacher's comment" section might read as follows: "Fails to complete work (on major policymaking problems of California). Doesn't work well with others (because of partisan antagonism). Gets distracted during work periods (by the influence of special interest groups)."

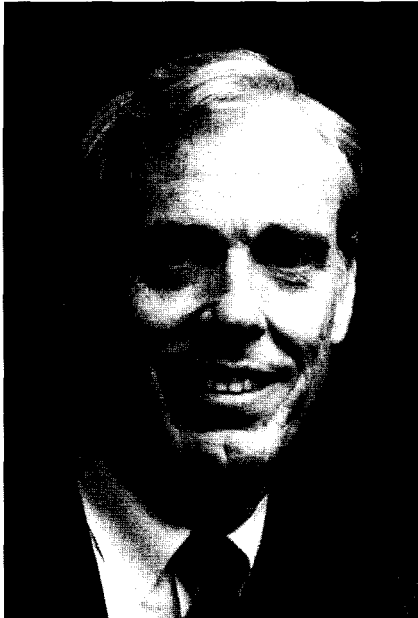
Overall grade: Needs improvement.

Critics of the state's government process say the growth of literally hundreds of organizations and advocacy groups, which have set up shop in Sacramento, have steered the Legislature toward narrowly tailored agendas. These flanks of lobbyists have created the formula for gridlock on pressing issues, prompting "solutions" through the initiative process which, if they

pass, often create more problems than they solve.

Consider the problem of government finance.

Today, city and county officials argue that it is impossible to fully deliver the services needed by their constituents because of a lack of control



Don Benninghoven

and flexibility over their sources of revenue. This difficulty, local government officials insist, can be traced back to the passage of Proposition 13 in 1978. That's when a Legislature paralyzed by inaction failed to address growing anger over rising property-tax rates, prompting voters to take matters into their own hands. The aftermath of Proposition 13 produced steadily rising anger among school officials, who saw local funding for education bleed away. Their response: Another initiative, Proposition 98, which clapped a new set of shackles onto the flexibility of state and local officials by locking up 40 percent and more of the state budget for schools.

The end result of this and other voter-induced tinkering has been the development of a disillusioned citizenry. It also created an anxious business community, which became increasingly concerned about the workforce being turned out by the public schools, and developers upset at the rise of developer fees, the preferred local "work-around" to Proposition 13. In short, a collection of inherent flaws emerged which desperately require attention and diagnosis.

But if lawmakers are unable, or unwilling, to address the "macro" issues, where will the answers to the systemic flaws — if they exist — be found?

Surprisingly, an answer may be emerging from the very same groups that long have made it their business to meet only their most parochial needs in the "zero-sum" game of Sacramento politics. For the past three years, many of the state's most influential stakeholders — groups such as the the League of California Cities, the California Teach-



David Booher

ers Association and the California Chamber of Commerce — have been meeting under the guise of an ambitious effort known as the California Governance Consensus Project.

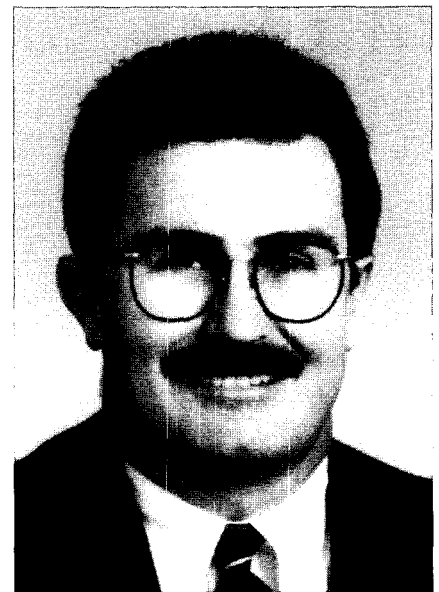
The objective: Nothing less than to formulate a new master plan of financing for state and local operations.

The project is an entirely voluntary effort, a total of 34 groups sitting down together to see if common ground can be discovered for improving the fiscal health of government operations and the long-term future of the state's economy. If a consensus can be forged among the participants — by all accounts, a big "if" — the plan is to submit the recommendations to the Legislature this year, so they can be placed on the November 1998 ballot.

It remains to be seen, however, whether any consensus will come from the Consensus Project. Deliberations have been long and slow, suggesting the 1998 objective may be ambitious.

And even if an agreement can be reached, it is far from certain that the groups will be able to successfully push their plan through the Legislature. Two years ago, the Constitution Revision Commission — a grand exercise in government restructuring — presented the Legislature with a bushel basket of ideas for reform, only to have its suggestions all but consigned to the ash can. If that legislative hurdle is cleared, a victory at the ballot box still may be difficult to achieve if the project incurs the opposition of a very powerful taxpayers' group not involved in the effort.

Still, those representing the interest groups involved in the Consensus Project are committed to this new model of consensus-building. As Don Benninghoven, executive director of the League of California Cities, explains, the old ways of each group



Fred Main

looking out for only itself has proven to be a failure.

"It's a different philosophy," Benninghoven says. "All of us are used to saying, 'Hey, this is what the cities want or the teachers or whatever, and by God we're going to fight for it.' [But] that hasn't worked real well in the last decade, because things aren't happening as a result of that 'good fight.'"

CTA's John Hein, associate executive director of governmental relations, agrees. "We have to decide what's *ours* and put it in a construct that's more productive in [everyone's] interest," he says. "Everybody at the table is in a position where they can't change, but they all recognize that they have to."

But such high-minded talk doesn't mean self-interest isn't a factor for the groups involved. Richard Lyon, senior legislative advocate for the California Building Industry Association (BIA), says it's important for his organization to be involved in the project because of what the current government finance structure has done to the growth and prosperity of its members. "Locally there are impediments to raising capital and to financing infrastructure that have begun, since the late '70's, to put the financing burden [for infrastructure development] on a smaller and smaller group of Californians — new people to a community," says Lyon. "That's not good for long-term economic development strategy, it's not good for the production of housing, it's not good for employers who want to come to California and find affordable housing for their employees."

To many participants, the solutions may seem self-evident, but history shows they're not. A shift of revenue to one stakeholder means loss of revenue for another, and nobody wants to give up anything easily. For instance, one of the biggest problems is how to get more revenue to local governments without taking it away from schools. Since Proposition 13, local governments have seen their property-tax revenues flatten, then drop when the state diverted a substantial portion to the schools. Simply shifting more property taxes to local governments won't fly if education officials aren't comfortable with whatever source of revenue will be used to make up the difference for schools.

"That really is the fundamental issue behind Proposition 98," says Fred Main, vice president of the California Chamber of Commerce. "If schools felt confident that the state would be able out of its own revenue sources to adequately fund education on an ongoing basis, they would have a different perspective of whether or not they need a smaller or larger share of the property tax."

As far as CTA is concerned, Hein says the teachers union is willing to discuss Proposition 98 and possible changes to school funding but won't say whether a redirection of property tax money is acceptable at the current time.

And then there's Proposition 13, a legal and political institution so sacred that the mere mention of touching it can make negotiators squirm in their seats. Some insist the landmark tax initiative must be part of any serious plan that's going to revamp the state's finance system. "My sense is ... it [the project's proposal] would involve some changes to Proposition 13," says David Booher, one of the project's founding members, who represents the California Council

for Environmental and Economic Balance.

According to Steve Kroes, Cal-Tax's director of research and representative to the project, some have talked about lifting Proposition 13's cap on property tax assessments and funneling the additional money to cities and counties. But such an idea won't fly with business-oriented groups like Cal-Tax, let alone the more ideological anti-tax advocates.

"There has been some track record

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Richard Lyon

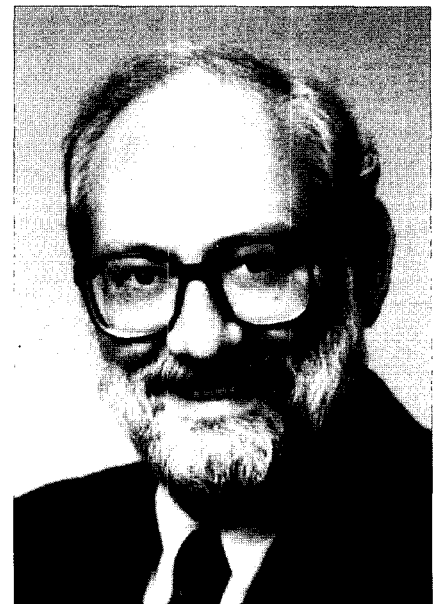
of approving of a little change [in Proposition 13],” says Kroes. “But I don’t think we could fall in behind a change in the rate or assessment [of property taxes].”

The fact that the members of the Consensus Project have had difficulty coming together on solutions isn’t sur-

prising to Fred Silva, the former executive director of the Constitution Revision Commission. “They’re having the same problem the Revision Commission had,” Silva says. “And that’s finding something above the lowest common denominator to agree on.” In fact, the similarities between the Consensus Project and the Revision Commission are enough to make one wonder if this most recent reform effort isn’t doomed to fail, since the CRC was unable to get its recommendations enacted into law.

“We [the CRC] didn’t have any constituency,” says Benninghoven, who in addition to working on the consensus project served as vice chairman for the Revision Commission. “We didn’t have a communication system, an outlook, or a membership.”

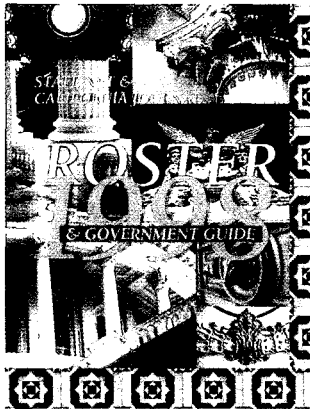
Which is why those with the project are hopeful about their chances with the Legislature. “Here you have organizations that have constituencies and money to back them up and involvement with gubernatorial, Senate and Assembly elections,” says Benninghoven. Silva also is willing to agree that having a constituency behind the project is a big help. But that won’t be enough, he



John Hein

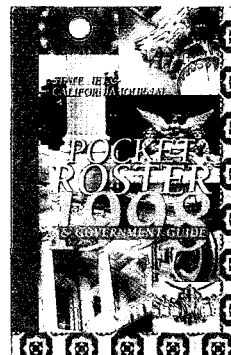
insists, because lawmakers aren’t going to just rubber stamp a reform plan that has the approval of key interest groups. Committee chairs or a small faction of lawmakers unhappy with a specific provision in the plan could easily scuttle the effort. Silva says tactical considerations will be crucial when it comes to

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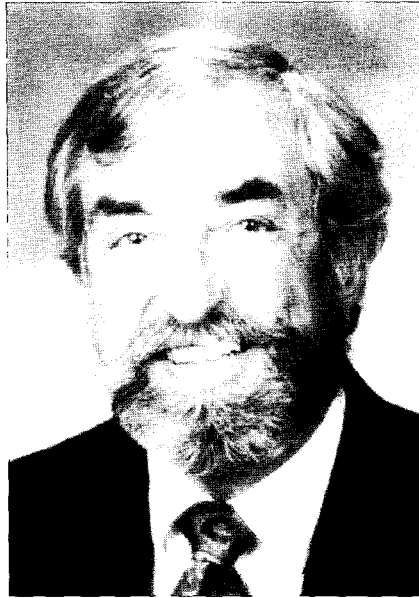
presenting whatever plan the project produces, and he suggests a piecemeal approach.

"If they bring forth a big package, they'll have the same problem the revision commission did," says Silva.

BIA's Lyon feels the same way. "The project is going to have to be very targeted with respect to what work product it ultimately turns out," he says. "I don't believe you can look at wholesale changes to state and local government and put it into an initiative with revenue-raising requirements over here and program alignments over there and get the public to understand it." When it comes to the problem of complexity, in fact, Booher admits that it's just another hurdle the project has to overcome.

"With a lot of this stuff, people's eyes tend to glaze over," Booher concedes. "When you talk about accountability, there [are] some specific things we know need to be done to make that happen, but they're just not very exciting to talk about."

It's also going to be difficult for the project to get the public behind its recommendations if opposition arises



Fred Silva

from the Howard Jarvis Taxpayers Association, which boasts a 200,000 membership and a fervent belief in keeping Proposition 13 intact. "I think that anytime the Jarvis association opposes a statewide measure it's a serious problem," says Kroes. HJTA was invited to participate in the project but declined,

according to Booher. "They were asked and they were unwilling to put Proposition 13 on the table," Booher insists. "You can't come to a consensus process and not be willing to play by the rules everyone else is." Joel Fox, president of HJTA, sees it differently, however. "I don't believe we were ever invited," says Fox, who also believes the project was never serious about having his organization represented at the negotiating table.

For those at the table, though, the big problem still is coming up with something that people like Joel Fox, the Legislature and the voters can examine and decide whether it should be implemented. And while some like Booher are hopeful that the project can produce at least one component of an overall plan this year for lawmakers to consider, others are skeptical of what ultimately will come of the effort.

"If we came up with a consensus package that we could all get excited about, there's a lot of lobbying clout in the project," Kroes argues. "Where I have doubts is that we can come up with a proposal we can get excited about." 🏠

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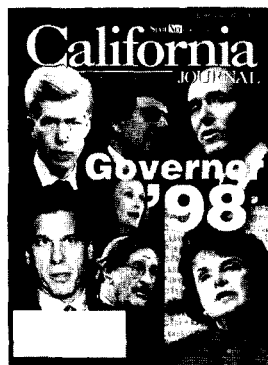
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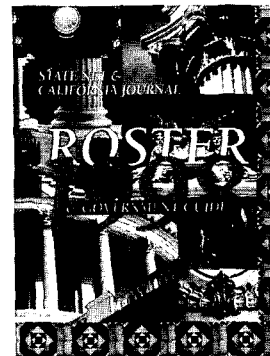
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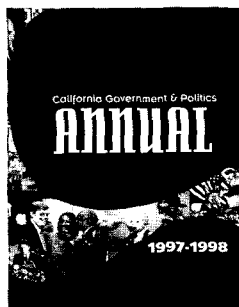


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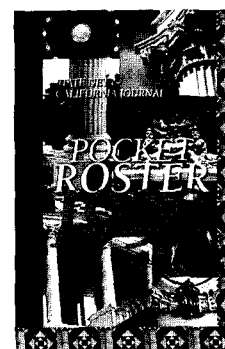
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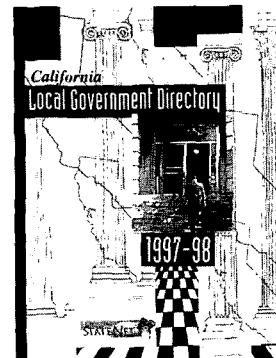


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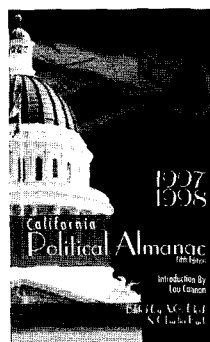


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Southern Exposure

perspective

by Sherry Bebitch-Jeffe

Los Angeles and Term Limits

Los Angeles County is big, but in Sacramento it isn't always powerful.

L.A. County is home to almost one-third of California's population. In 1996, it made up about one-fourth of the state's electorate. And the county's changing demographics suggest that, as Latino residents register and vote, L.A.'s electoral punch will remain strong. Nearly a third of California's legislators represent districts within Los Angeles County. But inside the State Capitol, the Southland behemoth often finds itself checked by lawmakers from the San Francisco Bay area and threatened by the growing clout of inland California.

That imbalance provides fodder for a fresh analysis of California's legislative term limits. The December 1997 decision by the Ninth Circuit Court of Appeals upholding 1990's term-limits initiative, Proposition 140, makes it likely limits will be in effect for this year's elections. This blocks 15 assemblymembers and 11 senators from seeking re-election. These include four assemblymembers and four state senators whose districts lie within Los Angeles County. All are Democrats. Five are women and five are minorities.

How might their departure affect L.A. County's standing in the legislative power game? The outgoing senators represent strong Democratic districts; their exits do not threaten that party's control of the Senate. Three of the termed-out Assembly incumbents also hold safe seats. But the departure of Assemblywoman Debra Bowen (D-Marina del Rey) could prove critical. The *California Target Book* describes her marginal seat as "a true bellwether district — the type of district both parties need to win to achieve a majority" in the lower house.

No L.A. County legislator has held the top job in the Assembly since 1974, when then-Speaker Bob Moretti, a Democrat from the San Fernando Valley, relinquished it. (Senator David Roberti, the last pro tem from L.A. County, left office in 1994 — the first casualty of Proposition 140.) Now the enforced departure of legislative leaders under term limits could give L.A. County an opening — particularly if Democrats maintain control — to become a major player in leadership contests. And much sooner than a non-term-limited universe might have allowed.

If the courts continue to block the campaign finance reform initiative, Proposition 208, that could help the political fortunes of potential L.A. powerhouses. The ability to raise money and transfer campaign funds to favored candidates is again a potent legislative tool. It is the one sure way term-limited leaders can command support for their brief stint in power. And Southland Democratic legislators have access to their preferred "automatic teller machine" — the Hollywood, Labor and Westside Jewish liberals.

This year brings the Senate's first real hit under term limits, and the members L.A. County will lose represent a

century of legislative experience. That's what limits were supposed to do — sweep out entrenched incumbents to make room for new blood. But in the Assembly, some of L.A. County's "new blood" is being swept out, too. And they are all women — including three Latinas. The first African-American woman to serve in the state Senate also must leave.

The Assembly districts now represented by Latinas who are termed-out this year (the 49th, represented by Diane Martinez; the 50th, represented by Martha Escutia; and the 58th, represented by Grace Napolitano) are likely to remain Latino. But, it is less likely that they will be represented by women. To date, strong women candidates have emerged in only one of these Assembly seats.

Conversely, women stand a chance to increase their numbers in the L.A. County Senate delegation, where strong women candidates have emerged in three of the four Democratic primary races.

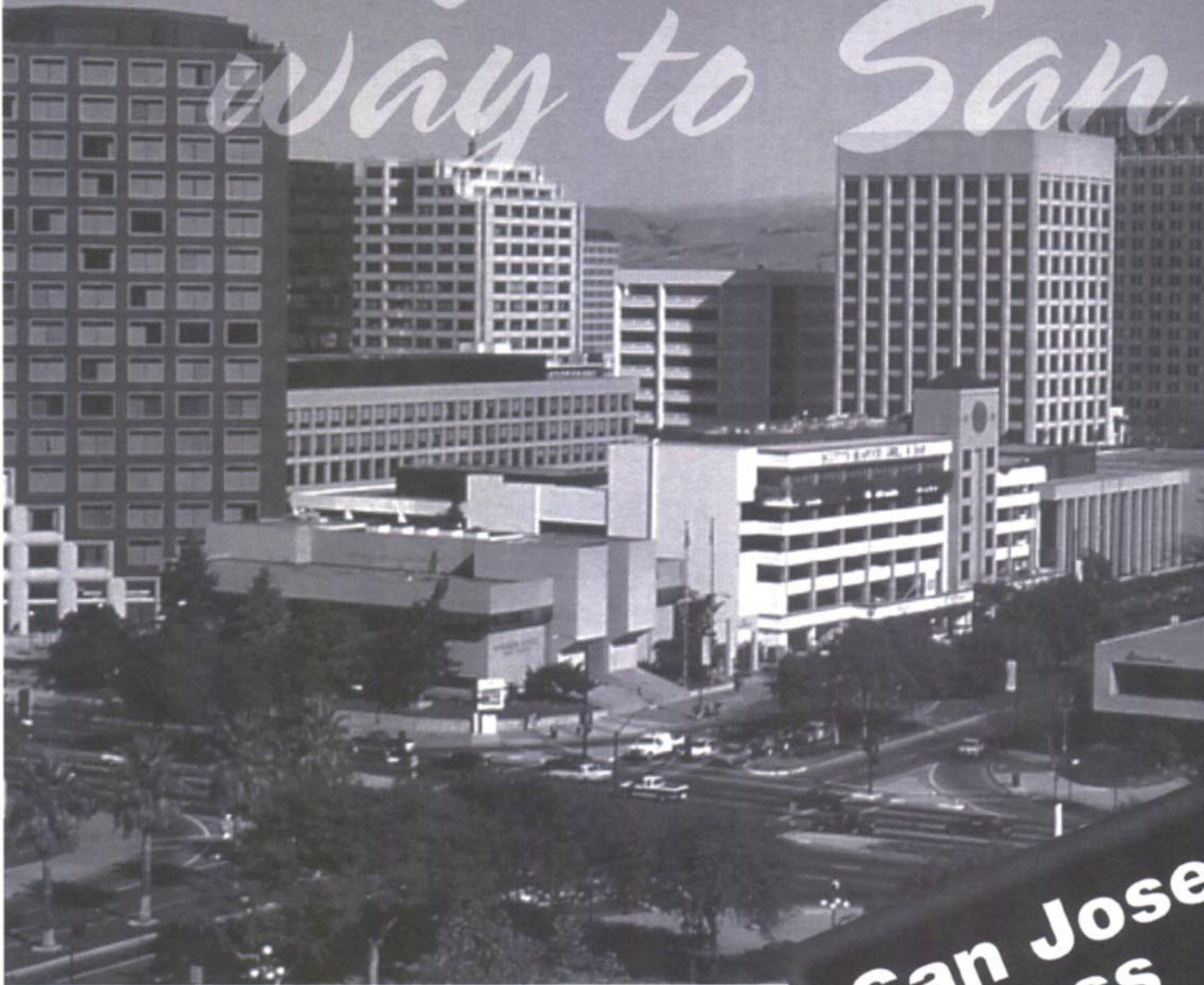
The race to replace veteran Senator Herschel Rosenthal (D-North Hollywood) offers a preview of the dicey dynamics of the new Los Angeles politics. The Democratic primary pits former Assemblyman Richard Katz (D-Panorama City) against Los Angeles City Councilman Richard Alarcon, the first Latino elected to that body from the San Fernando Valley. It also sets the traditional political and fund-raising clout of the Westside Jewish community against the new muscle of the city's Latino political leadership. It will provide a litmus test for the emerging empowerment of Latinos — and their ability to field candidates who can build the coalitions necessary to win elections beyond the Latino community.

The L.A. County legislative delegation is so large, tenure in Sacramento so short (unless lawmakers can successfully hop from one house to another, and the Los Angeles media market so vast and expensive) that it will be virtually impossible for Southland legislators to make any kind of a public imprint. Their visibility is limited enough now. Just about the only Los Angeles County lawmaker anybody knows anything about is Senator Tom Hayden (D-Los Angeles). And that recognition is a function of a celebrity which pre-dated his legislative service and a recent run for mayor of Los Angeles.

Candidates for higher offices need name identification — or the money to buy it. Will media-savvy legislators, looking for political springboards, spend their Sacramento time angling to come home to run for city council, county supervisor or mayor? How might that impact the cost and character of local campaigns? Could that change the nature and focus of local — and legislative — office? Will we see the style and substance of governance redefined? How?

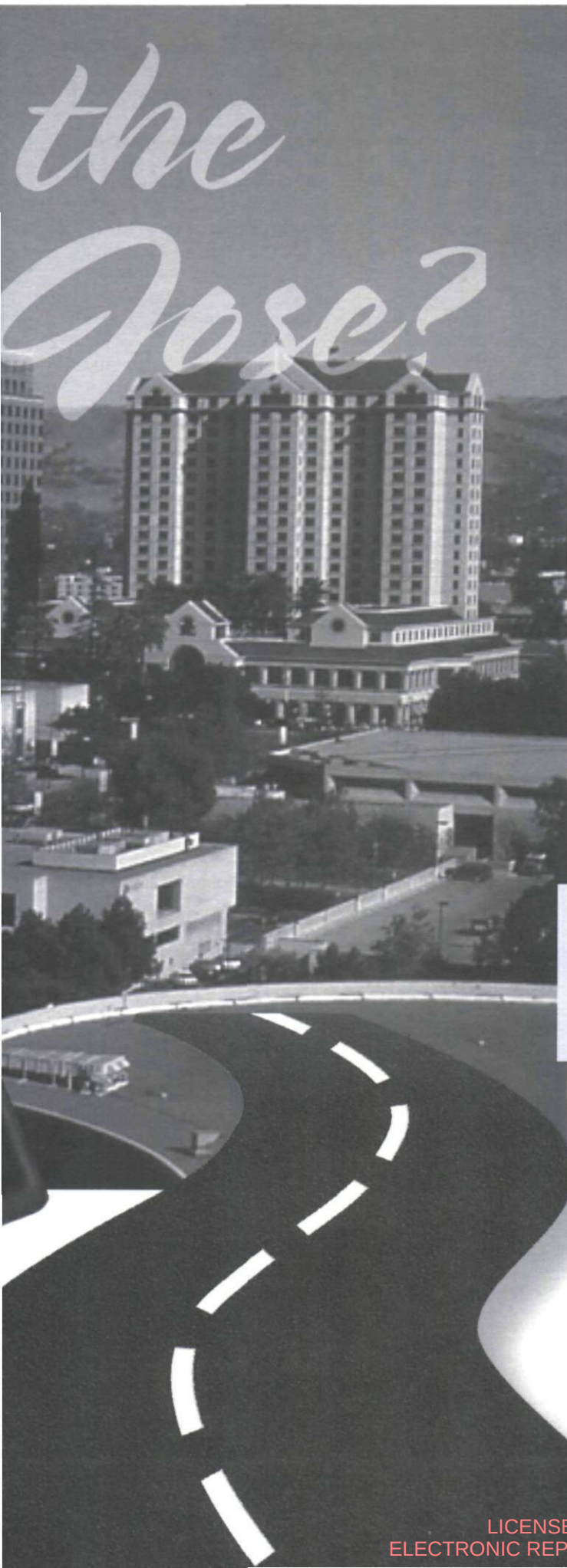
If there is any lesson to be learned from the impact of term limits on the state's largest county it is this: The question these limits raise still outnumber the answers they bring. The conundrum of governance won't be resolved easily. Or soon. 

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away to San*



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**San Jose
bypass**



Despite its size and proximity to Silicon Valley, San Jose politicians have trouble breaking through to statewide prominence. But that could be about to change.

by Terry Christensen

Next year, the fourth largest city in California and the 11th largest in the nation will elect a new mayor and the race is already underway. The person who wins the job will be positioned at the gateway to California's rapidly expanding high-tech industry. If the experience of the current incumbent is any indication, this next mayor will carry to international capitals the de-facto title of "mayor of Silicon Valley." And he or she will govern an area whose entrepreneurs are poised to use their new wealth to broaden their influence at both the state and national level.

Sounds like a pretty important race, and a pretty important place. But if past history is any guide, nobody outside the city's confines will pay much attention.

Maybe they should.

San Jose was the first capital of the state of California and home to its first governor, but the city has produced few state leaders since. Statewide media and political leaders pay little attention to San Jose city politics, usually interested only in

Terry Christensen is professor of political science at San Jose State University and a longtime observer of and participant in San Jose politics.

how the city and its suburbs swing in state races and how solidly Democratic its legislative delegations will be. Despite its size and prominence as the top manufacturing center in the country and the self-proclaimed "capital of Silicon Valley," few San Jose politicians make it on the statewide stage. But San Jose — and Silicon Valley — are growing up and the next mayor could change all that.



San Jose has long been obscured by the deep shadow of San Francisco. Though San Jose surpassed "the city" in population years ago, San Francisco remains the media, cultural and financial center of the Bay Area. Mayor Willie Brown has raised San Francisco's profile ever higher (not always positively), but his predecessors as mayor were also better known throughout the Bay Area and the state than their counterparts in San Jose. San Jose mayors mostly begin and end their careers in San Jose, while powerful legislators (Brown, Agnos, Moscone) return to San Francisco to further theirs. And mayors of San Francisco, like their colleagues in San Diego and Los Angeles, run for governor and U.S. Senate.

To be sure, San Jose has produced some notable legislative leaders. Don Edwards and Norm Mineta, both Democrats, now retired, exercised major committee clout in Congress. Mineta was considered a contender for House leadership right up until he resigned to work for Lockheed in 1995. San Jose once had even more clout in the state legislature, where Democrats Alfred Alquist and John Vasconcellos chaired, respectively, the Senate and Assembly budget committees for many years. Term limits moved Alquist out of office in 1996 and Vasconcellos to Alquist's former seat in the Senate where his experience has kept him in a leadership role. Vasconcellos is one of the few San Jose politicians to attempt a move to statewide office. He's now engaged in an exploratory campaign for governor which most observers consider to have an outside chance at best.

Some thought Democrat Susan Hammer, San Jose's popular incumbent mayor, would also test the hypothesis.

The victor in a tight and nasty race in 1990, Hammer easily won re-election in 1994 and has presided over a comfortable majority on the city council throughout her two terms, rarely losing a vote. She got generally good reviews for her job performance and has courted the Bay Area electronic media on state and national issues. But Hammer has not been subsumed by political ambition, and though a job with the Clinton Administration is not beyond the realm of possibility, she is considered just as likely to retire from politics altogether and settle in with her family in her home community.

Part of the problem for San Jose politicians is that local media really are local. Because San Jose has just one network-affiliate television station and a single major newspaper, San Jose's visibility remains low off the home turf — or even on it, since many San Joseans watch San Francisco television stations and read San Francisco newspapers.

Nor have San Jose mayors contributed much to the prominence of their city. San Jose has had very good mayors for the past three decades, but they've shown little interest in politics beyond their hometown. Only one — Mineta, mayor from 1971 to 1974 — went on to higher office, serving in Congress from 1975-1995. Tom McEnery, mayor from 1983-1990, was the last to try to move on, but despite his success and popularity as mayor, he was defeated in a race for

Congress by a lesser known county supervisor.

San Jose mayors have also suffered from the lack of old money, corporate headquarters and businesses (other than developers) with a high stake in what the city does. Old San Jose never had big money — it was the commercial center for a valley of orchards. New San Jose is struggling to live up to the title of "Capital of Silicon Valley," but most of the high-tech companies of Silicon Valley are still in San Jose's nominal suburbs. Lots of their workers live in San Jose, but the microchip magnates do not live in the city and haven't as yet taken much interest in its politics.

The base of wealth and power available to mayors of San Diego, San Francisco and Los Angeles hasn't been there for San Jose mayors. But things might be different for the next mayor, not only because San Jose is bigger, but also because it's richer, more mature and more self-confident.

Sheer size has increased San Jose's political importance, but the relative independence of its voters, who lean Democratic but are open to moderate Republicans, makes it a crucial political background — unlike predictable San Francisco. Popular San Jose mayors can give a boost to allies running for higher offices with these key voters.

The importance and influence of San Jose mayors within the city have also increased. Recent mayors have asserted their leadership of the city with some skill and success, wresting control away from a pro-growth old guard and gradually asserting authority over the city's bureaucracy.

Mayoral authority has been enhanced by changes in the city charter, beginning with district council elections in 1980. The mayor still sits and votes with the council, but while

council members represent and focus on parts of the city, the mayor alone has a citywide constituency and media spotlight. Changes in mayoral campaigns will also raise the next incumbent's profile outside the city. Since the 1970s, San Jose's mayoral candidates have relied more and more on television, and despite voluntary campaign spending limits, this year's candidates will spend more on TV than ever — ads many outside of San Jose will see.

But perhaps the biggest change in San Jose politics and in the future of mayors to come is the politicization of Silicon Valley. Some high-tech mavens, such as the late David Packard, have tuned in to politics for a long time, but now many more are discovering its importance. The 1996 proposition battles over stockholder lawsuits drew many into the political process, and their successes gave them a taste for the fray. Others have been led to politics by two sophisticated local organizations dominated by high tech: The Santa Clara Valley Manufacturing Group, founded 20 years ago by Packard, and the more recent Joint Venture/Silicon Valley, chaired by Rebecca Morgan, a former state senator. Both are nonpartisan and neither endorses candidates. But they shape the public agenda, educate their members in the significance of public policy and introduce them to local officials.



San Jose declared itself the "Capital of Silicon Valley" as a public relations ploy some years ago, but it's now beginning to live up to the title. High-tech companies have expanded from the built-out suburbs north

of San Jose into its vast and welcoming industrial parks and even downtown, where high-tech icon Adobe Systems is building a second office tower. Statewide and national politicians make pilgrimages to Silicon Valley, where San Jose mayors play host. And the business leaders of Silicon Valley have grown more political.

They could give San Jose's next mayor something earlier mayors lacked: the base to run for higher office. But just how much interest high tech will take in a lowly mayor's race remains to be seen. And other forces in San Jose, including neighborhoods, minorities and labor, will also have a voice in choosing San Jose's next mayor. If past history applies, their influence will be greater than high tech's, which might be another reason why San Jose's mayors pretty much play on the home field.

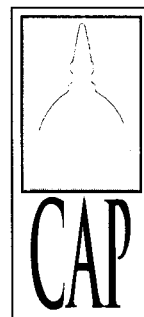
All of this makes 1998 a key election in San Jose, and the contest is already heating up. Clearly, this office is viewed as a major political prize. Candidates have been maneuvering for position and testing the water. None has made a formal announcement yet, but rumors are flying around city hall and beyond. In fact, the race has been so hot that one candidate, Vice Mayor Margie Fernandes, has already dropped out. A council member since 1990, Fernandes was once an aide to Mayor Susan Hammer, and they remain close allies. But Fernandes' endorsement of a boycott against K-Mart and other controversies suggested a nasty race ahead, and she ultimately withdrew.

Foremost among the more certain candidates is former Santa Clara County Supervisor Ron Gonzales. The 45-year-old Gonzales, termed out in 1996, currently works for Hewlett-Packard, and his high-tech connections and Mexican-American background (his father was revered in San Jose's Mexican-American and labor communities) give him unique strengths. He's also a tough, energetic campaigner,

a formidable fund-raiser, and would likely benefit from significant help from organized labor. Success would skyrocket Gonzales into statewide prominence as one of the highest-ranking Latino office holders and as a voice for high-tech.

Gonzales has problems. He's considered a political loner, making tactical alliances, but establishing few strong, long-term relationships with other politicians or organized constituencies. He's respected, but not trusted or much liked by many political activists. That won't keep some from supporting him, however. Allegations that he's a carpetbagger will be a more serious problem, as Gonzales started his political career in the nearby community of Sunnyvale, and only a portion of the city falls within his old supervisorial district.

For awhile, there was talk of a comeback by Hammer's predecessor, 51-year-old former Mayor Tom McEnery. A popular and successful mayor who served in the 1980s, McEnery is credited with reviving downtown San Jose. The



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city's new convention center already bears his name. Now a radio talk-show host and employee of the professional hockey team that occupies the arena he helped build, McEnery's interest in the city he views as his has never flagged.

A triumphal return must have been tempting for McEnery, whose name identification and popularity remain formidable. But disputes with the Latino community and his dalliance with the Reform Party diminished sections of his base. Moreover, his air of electoral invincibility was shattered in 1994 when County Supervisor Zoe Lofgren defeated him in a race for Congress. McEnery toyed with a resurrection for months — playing cat-and-mouse with the city's political gossips — before announcing in December that he would not be a candidate.

While McEnery pondered, one of his protégés, Pat Dando, was champing at the bit. First saying she wouldn't run against her former employer, she later threatened to do so out of exasperation at his hesitation. By the time he finally made his decision and announced his endorsement of Dando, Gonzales had been off and running for some time. Dando will nevertheless be a formidable candidate. The only Republican on the city council, she has carved out a significant and visible role for herself as a critic of Mayor Hammer and the council majority. She's also taken the initiative on some high-profile issues such as child care, a day-time curfew and porn filters for library computers. Although a Republican in a Democratic city, being a woman extends her appeal in a city that readily elects women.

Although veteran Councilman Frank Fiscalini is also said to be mulling a run, the race is expected to come down to Gonzales and Dando — with enough minor candidates to make a November run-off likely. Thanks to the head start

provided by McEnery's pondering, Gonzales has an early lead in endorsements and fund raising. McEnery's endorsement of Dando is significant, but his successor is likely to opt for Gonzales, who co-chaired Hammer's last campaign and is a longtime ally. Gonzales will also benefit from the support of labor and Democratic party activists. Although some have reservations about Gonzales, Dando's Republican party affiliation leaves them no viable option.

The pairing of Dando and Gonzales also foretells the most partisan mayor's race in San Jose history. Republicans have been major contenders in the past, but not since the growth of the city's Democratic majority or its minority population — and not since direct mail and TV ads became part of mayoral campaigns. Gonzales is sure to exploit his partisan advantage — as Dando is hers, although more discreetly.

Party leaders from around the state and beyond will also be more interested in San Jose's mayor's race than ever before because whoever wins, advancement to higher office is a probability. After spending a million dollars each, even the loser will be pretty well known. And a Latino or Republican woman from Silicon Valley could be a potent statewide candidate.

But the key difference between the future prospects of San Jose's next mayor and earlier ones is the role of high-tech leaders. They'll have more to do with choosing the next mayor than ever before. And that means their candidate will have a base for a statewide campaign that wasn't available before. Gonzales is best-placed to exploit this advantage, but Dando will surely take advantage of Republican connections to Silicon Valley.

San Jose has an interesting election ahead, but at long last it may also be of interest beyond San Jose's borders. ■

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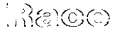
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Rostrum

letters



I picked up my January edition of *California Journal* because the issue of race and politics has always been of interest to me. I am still trying to figure out how "race" has become such an issue to our political process. I am amused by the constant attention, yet concerned by the fact that in this day and age, "race" is still the main focus when dealing with minorities. As if race was the cause of minorities' problems.

If addressing "Race" is seen as "... critical to [the state's] well being," ("The Nature of Prejudice," *CJ*, January, 1998) then we are in bigger trouble as minorities in this, the most progressive state in the union. Especially non-African American minorities, because whenever, "race" becomes "... the political *mantra du jour*," it is addressed from the black and white experience that does not take culture, language and customs into consideration. A "color-blind society" is as mythical as Utopia, neither has existed since God ran Adam and Eve out of the garden, nor will it, so it makes no sense to believe that any amount of debate on the issue will bring it about.

I pray candidates this year go beyond this kind of debate as they attempt to win the Latino vote. The problems that plague Latino neighborhoods are not based on race. Latino youth are killing Latino youth, and there is no racism involved in this. Latinos are 53 percent of the state's dropouts, 47 percent of the California Youth Authority's population and 34 percent of those in the California Department of Corrections facilities ... and this has nothing to do with race.

If the candidates want the Latino vote, then tell us what you are going to do to improve the Latino barrio's infrastructure. Recuse the problems faced by Latinos are the dilapidated schools, [and] inexperienced teachers teaching their kids out of outdated books. The lack of economic development opening opportunities to start new businesses and new jobs. Safer streets so

children don't have to die from stray bullets as they play in their front yard. We can do something about these problems — nothing about race.

Hitler thought he could do something about his "race" problem, as did the Bosnians and Serbs; the Arabs and Israeli's, Tutsis and Hutus, and so on. These are problems of "race;" problems, I thank God, that don't exist here in these United States. It is easier for politicians to speak about race as a problem. It covers up their failure to deal effectively with the real problems faced in the barrios.

JULIO C. CALDERON

Former State/National President
Mexican American Political
Association (MAPA)

Your article "The Nature of Prejudice" is nicely written, but I must wonder if the social scientists cited have thought deeply enough about the subject. They all seem to attribute prejudice to groups acting for group advantage, as though these amorphous social groups managed to hold conventions to discuss prejudice and carefully and conscientiously to be prejudiced in ways that would benefit them optimally. Clearly, group prejudice does not arise in this fashion.

I posit that prejudice in some, not all, individuals stems at least in part from a need for self-esteem. Almost everybody needs someone (or a group) to feel superior to. By putting down members of another group, the prejudice-prone individual automatically elevates him/herself in his/her mind, and thus feels better. It takes less energy than satisfying one's need for self-esteem by actually doing useful and legal things that one can feel good about accomplishing. It is the wrong road to self-esteem, but it is energy efficient.

The utility of feeling good by putting down others extends well beyond racial differences. Republicans put down Democrats and Democrats put down Republicans, and both enjoy the exer-

cise. Architects put down engineers and engineers put down architects. Northerners put down southerners because they speak oddly.

I doubt that my hypothesis is original. In any case my insights suggest a solution to only a small part of the prejudice puzzle. Have social scientists explored the role of the individual's need for self-esteem as a wellspring for group prejudice?

ROBERT E. TEPEL
San Jose

Ad watch

The Association for California Tort Reform (ACTR) — a front group for tobacco, insurance and other corporate interests — recently paid to run an ad in *California Journal* which is designed to look like a response to a poll question. The ad suggests that voters may be more inclined to support candidates who receive campaign contributions from businesses rather than personal injury lawyers. However, the poll question did not identify the major corporations like Phillip Morris, State Farm Insurance, R.J. Reynolds, Atlantic Richfield, and Chevron USA which fund ACTR. Interestingly, the poll did not ask voters what they think of elected officials who get campaign contributions from tobacco, insurance and oil companies.

In fact, 63 percent of respondents to another recent poll say that knowing ACTR is a fake front group funded almost entirely by money from oil, insurance and tobacco companies makes them less likely to support legislation ACTR sponsors. I am sure that ACTR has discovered similar results in its polling. Perhaps that is why ACTR neglected to mention its funding sources — tobacco, oil and insurance industries — which have traditionally valued profits over consumers' rights.

RICK SIMONS
President
Consumer Attorneys of California

Washington Notes

perspective

by Marc Sandalow

Sonny Bono

They gathered on the steps of the U.S. Capitol before sunrise. More than 40 members of Congress boarded an Air Force plane and traveled the length of the continent to pay their respects to a Californian they hailed as a statesman. House Speaker Newt Gingrich described him as “very hardworking and thoughtful.” Governor Pete Wilson, who rearranged his presentation of the state budget by three hours in order to attend the funeral, called him a “dreamer and a doer.” CNN carried the proceedings for more than two hours without commercials. It was the most momentous political funeral held on California soil since Richard Nixon died in 1994.

This for a man who broke into the national consciousness wearing furry vests and Eskimo boots; a man who made his name by playing the dufus to a talented diva.

There cannot be a living creature who can claim with a straight face that they ever imagined—no matter what they were smoking in the '60s—that Sonny Bono would be mourned at his funeral by a governor, the House Speaker, a cabinet secretary, 50 members of Congress, a former president and a former vice president.

This is an elected representative, after all, whose best known written work contains the lines: “They say our love won’t pay the rent/before it’s earned, our money’s always spent/I guess that’s so, we don’t have a pot/but at least I’m sure of all the things I got.” This is a politician who, upon his arrival in Congress, was dubbed by *Progressive* magazine as one of the “10 dimmest Bulbs in Washington,” and who placed Number One in a *Washingtonian Magazine* survey in the category “No Rocket Scientist.”

But something very strange happened to Bono during his three-year stay in the nation’s capital. He earned respect. While many luminaries find their reputations soiled inside the Beltway, Bono actually gained credibility. At the time of his death January 5, Bono was among the most popular members of Congress. He delivered pots of homemade pasta to Gingrich. He dined with Massachusetts’s liberal Barney Frank. After the speaker, he was the most sought-after GOP fundraiser in the House.

Bono’s meteoric political rise is in part a story of Washington’s obsession with Hollywood. A city accustomed to visiting world leaders and presidential motorcades, Washington can hardly contain itself when real stars like Bonnie Raitt (save-the-trees) or Charlton Heston (save-the-guns) arrive. But if show biz stardom was his ticket into the club, it would take more to rise to the top. And Bono used the same formula in politics that he used to earn 10 gold records: Keep it simple. “Simplicity,” Bono said in an interview several years ago. “I think it’s the secret to everything.”

Like the elementary chords in his pop hits, Bono’s

simplistic explanation of complex policy issues became a hit. Asked what he thought about illegal immigration during his 1992 Senate race, Bono paused. “Well,” he said. “It’s illegal.”

It was more than a comedy routine. Bono had an uncanny ability to make people comfortable, whether they were Republicans, Democrats, reporters, or constituents. Addressing an audience at the National Press Club in 1996, Bono concluded his remarks with a shrug of his shoulders: “I don’t know if I have a message today. I hope I do. I intended to come here today with a message.” And rather than laugh at him, the audience laughed with him. Bono’s shtick as the Californian simpleton who happened upon the cesspool of Washington became legendary on the fund-raising circuit, where he appeared for fellow House Republicans several times a month. “I am so pleased that we [in Washington] are all so dedicated to mankind,” he deadpanned to a huge ballroom at a congressional correspondent’s dinner in 1995. “Unlike show business—where you have egomaniacs and you have power mongers and you have elitists.”

His legislative prowess will never be confused with House legends Sam Rayburn or Everett Dirksen. His accomplishments were modest, as are those of most second-term members. But he made Congress accessible. He made it human. And though he played the role of a simpleton, he never let the complexities of Washington’s sausage-making operation overwhelm him.

“You looked at him. You thought to yourself, ‘This can’t be a famous person,’” Gingrich recalled. “He smiled. He said something. And then you thought to yourself, ‘This can’t be a serious person.’ Four jokes and two stories later, you were pouring your heart out to him.”

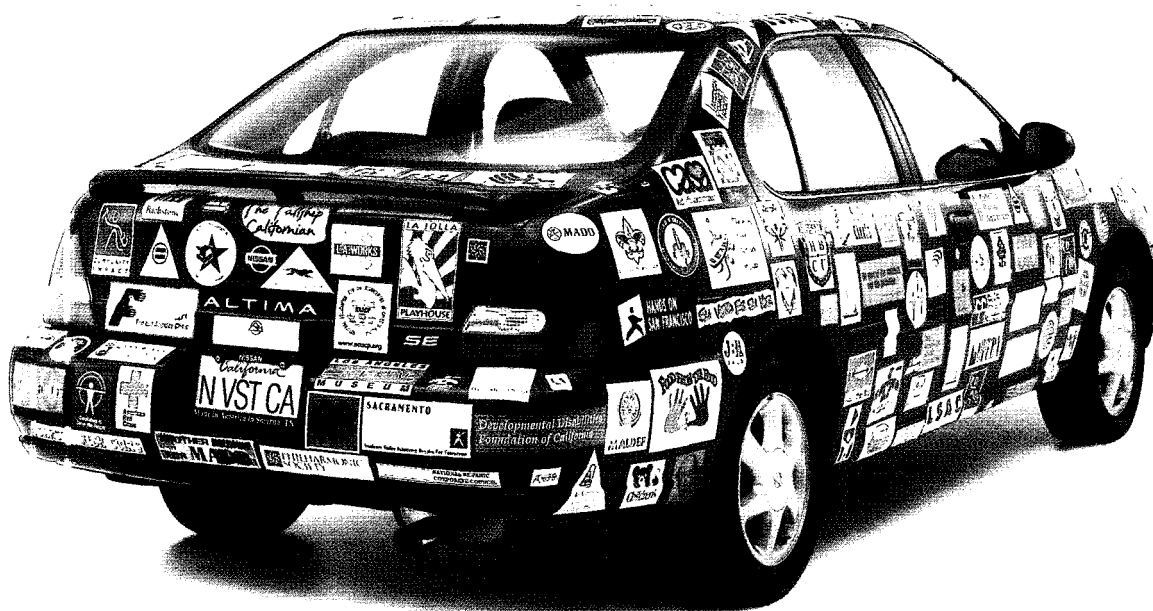
And members loved him for it. Last summer, during a tense meeting of House Republicans after the failed plot to strip Gingrich of his throne, Bono launched into a seemingly irrelevant story about the quick decline of his show biz career. He recalled filming an episode of “Fantasy Island,” where on the director’s cue, he yelled: “Pontoon.” “It’s Tatoo,” his co-star, Herve Villechaize corrected him angrily.

“Here I was being yelled at by a midjet,” he concluded, leaving his GOP House mates in hysterics.

In the '60s, critics sneered at Bono’s elementary composition, his sickly sweet lyrics and his nasal voice—and he sold more than 50 million records. In the '90s, pundits scoffed at Bono’s lack of political experience, his whining oratory, and his rudimentary understanding of policy—and he became one of the House’s most beloved members.

“People have said to me, ‘You can’t write songs. You can’t play an instrument.’ But I’ve got 10 gold records,” he said following his first election to Congress. “So I can do this job.”

And he did. 🏛️



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